



CNTEE TRANSELECTRICA SA

REPORT OF THE SUPERVISORY BOARD ON THE MANAGEMENT ACTIVITIES July-December 2019

	Corporate Structure	1
	Activity of the Supervisory Board	4
	Financial Data	8
	Operational Data	17
	Investments	20
	Other Aspects	22
	Annexes	24

Verification of separate financial statements by the Supervisory Board

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

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

At the same time, the Supervisory Board's Semestrial Report elaborated in accordance with the requirements from the capital market legislation was reviewed by Supervisory Board members. The half-yearly report provides a true and fair view of the Company's results for semester II of 2019.

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

With highest consideration,

Adrian GOICEA

Chairman of the Supervisory Board



Corporative Structure

SUPERVISORY BOARD

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

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

Adrian GOICEA – Chairman of the Supervisory Board

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

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

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

Luiza POPESCU – Member of the Supervisory Board

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

Mrs. Luiza Popescu attended a master's degree programme with the Polytechnic University of Bucharest, as well as other professional training courses in countries such as: Switzerland, the Netherlands, Czech

Republic, Ontario - Canada, France, Denmark, United Arab Emirates and the UK.

Jean-Valentin COMĂNESCU – Member of the Supervisory Board

Mr. Jean-Valentin Comanescu has got profuse experience both in economics and in the public procurement domain, since 2014 to date he has held the position of economist for public procurement with the Romanian Auto Register.

Mr. Jean-Valentin Comanescu graduated the Economic Studies Faculty of the Nicolae Titulescu University, Bucharest (2017), the Agricultural-Touristic Management Faculty, speciality Engineering and Management in Public Alimentation and Agrotourism of Bioterra University, Bucharest (2009). He has also obtained a master's degree in engineering and another in public finance and fiscal policies.

Oleg BURLACU – Member of the Supervisory Board

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

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

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

Licentiate of the Law Faculty from the University of Bucharest, Mr. Oleg Burlacu graduated the master's

degree courses of Political Science in Titu Maiorescu University of Bucharest, and currently he is doctor candidate in Institutional, Public and European Law.

Ciprian Constantin DUMITRU – Member of the Supervisory Board

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

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

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

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

Mihaela CONSTANTINOVICI – Member of the Supervisory Board

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

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

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

Mircea Cristian STAIKU – Member of the Supervisory Board

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

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

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

CONSULTATIVE COMMITTEES OF THE SUPERVISORY BOARD

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

Audit Committee

Members of this committee are Jean - Valentin COMĂNESCU (Chairman), Adrian GOICEA, Luiza POPESCU.

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

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

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

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

Compliance with the principles of corporate governance established by the Corporate Governance Code of the Bucharest Stock Exchange represents a continuous commitment assumed by the Supervisory Board. Through the Audit committee, the Board of Supervisors aims at enhancing transparency with respect to the activities of organizational entities of the Company by implementing new internal regulations for the Public internal audit and the management of significant risks within CNTEE Transelectrica SA.

Nomination and Remuneration Committee

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

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

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

As far as the remuneration area is concerned, the Nomination and remuneration committee drafts the remuneration policy for the Directorate and Supervisory Board members and submits it to the Shareholders' General Assembly for approval.

The nomination and remuneration committee shall present in the annual report the total amount of the direct and indirect remuneration of the members of the Directorate and of the Supervisory Board, in compliance with the principle of proportionality with the responsibility and the time devoted to the performance of their duties by them.

Energy Security Committee

Members of this committee are Oleg BURLACU (Chairman), Ciprian - Constantin DUMITRU, Adrian GOICEA, Luiza POPESCU, Jean - Valentin COMĂNESCU, Jean BADEA

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

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



Activity of the Supervisory Board

ACTIVITY OF THE SUPERVISORY BOARD

During the second semester of 2019, the members of the Supervisory Board met in 11 sessions, out of which a selection of the discussion points on the agenda was presented below.

The following topics were discussed with priority:

- the procurement procedures aimed at awarding contracts "Extension of Brazi Vest substation" and "Increasing the transmission capacity of 220 kV Stejaru-Gheorgheni-Fântânele OHL";
- undertaking by the Company of the commitment to provide the financial flow for the investment project's implementation "400 kV Gutinaș Smârdan c.c. OHL" and the coverage of the costs, other than those financed from European non-refundable funds, including related VAT;
- renewal of the guarantee letter for the BEI credit, the conclusion of an addendum to the credit agreement concluded with BCR aiming to grant a ceiling for issuing bank guarantee letters in favour of ANRE and initiating the procurement of a revolving bank credit line over a one-year period necessary to ensure the functionality of the support scheme under optimal conditions;
- the procurement procedures aimed at awarding contracts "Extension of Brazi Vest substation" and "Increasing the transmission capacity of 220 kV Stejaru-Gheorgheni-Fântânele OHL";
- initiating the procurement procedure aimed at awarding the sector works contract "400 kV Țânțareni - Kozlodu 1 + 2 c.c. OHL capital repairs".

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

- At the meeting on **05.08.2019**, the members of the Supervisory Board agreed to carry out the procurement procedures with respect to "Connecting the 400 kV Isaccea Varna OHL and the 400 kV Isaccea-Dobrudja OHL at the 400 kV Medgidia Sud substation Stage I - Extension of the 400 kV Medgidia Sud substation" and "220/110/20 kV Baru Mare substation refurbishment"
 - took note of the information regarding the annulment of the procedure for awarding the works contract "220/100 kV Filești substation refurbishment"
 - took note of the information regarding the status of the Annual Program of Sectorial Acquisitions for January - June 2019

- took note of the information regarding the status of the Annual Investment Program for January - June 2019, establishing the reporting method/reporting periodicity.

- At the meeting on **12.08.2019**, the Supervisory Board approved the final form of the SB Activity Report for the first semester of 2019:

- took note of the following: Transelectrica's simplified stand-alone financial statements on the date and for the 6-month period ended on June 30, 2019, the Half-yearly Report for the first half of 2019 on the Company's economic and financial activity, the Activity Report of the Directorate on the results for January - June 2019 and approved the final form of the SB Report for the first semester of 2019.

- agreed with the procurement procedures aimed at awarding contracts "Extension of Brazi Vest substation" – procuring AT4, C+M, PT integrator works and "Increasing the transmission capacity of 220 kV Stejaru-Gheorgheni-Fântânele OHL".

- At the meeting on **21.08.2019**, the Supervisory Board agreed on the undertaking by the Company of the commitment to provide the financial flow for the investment project's implementation "400 kV Gutinaș Smârdan c.c. OHL" and the coverage of the costs, other than those financed from European non-refundable funds, including related VAT.

- agreed on the initiation of the procurement procedure aimed at awarding the sector works contract "400 kV Țânțareni - Kozlodu 1 + 2 c.c. OHL capital repairs".

- At the meeting on **17.09.2019**, the members of the Supervisory Board took note of the information regarding the signing of the Collaboration Agreement and the Service Contract with NPC Ukrenergo for carrying out further studies for the synchronous interconnection of the systems of Ukraine and the Republic of Moldova with the Continental European system ENTSO-E

- took note of the information regarding the conclusion of the works contract "Stâlpu power substation" and "Modernization of 110 kV bays and medium voltage in Stâlpu power substation".

- At the meeting on **19.09.2019**, the Supervisory Board recalled Mr. Marius Dănuț Carașol from the member quality of Directorate member and Directorate Chairman from the date of this meeting and elected as Directorate Chairman, alternatively named Transelectrica Executive Director General or Chief Executive Officer - "CEO" Transelectrica Mrs. **ANASTASE Claudia-Gina**.

- At the meeting on **24.09.2019**, the Supervisory Board took note of the information regarding the up-to-date status of the disputes the Company has with former Directorate and Supervisory Board members with respect to the valorisation of the performance bonus provided in the contracts concluded with them.

- At the meeting on **10.10.2019**, **Mircea Gheorghe Dumitru COȘEA** is elected Supervisory Board Chairman.

The Supervisory Board designates as members of the Nomination and Remuneration Council the following persons:

- Mihaela CONSTANTINOVICI - chairman
- Adrian MITROI - member
- Petru TĂRNICERU - member
- Ionică BĂDILĂ – member.

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

- Adrian MITROI - chairman
- Mircea Gheorghe Dumitru COȘEA - member
- Virginia Mihaela TOADER - member
- Petru TĂRNICERU - member
- Ionică BĂDILĂ – member.

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

- Mircea Gheorghe Dumitru COȘEA - chairman
- Virginia Mihaela TOADER - member
- Mihaela CONSTANTINOVICI – member.

- At the meeting on **16.10.2019**, the Supervisory Board took note of the termination of the provisional Directorate members' mandates on October 20, 2019: Claudia-Gina ANASTASE, Georgiana Andreea FLOREA, Adrian SAVU, Alina Elena TEODORU and decided their extension with 2 months, from 21.10.2019 until 20.12.2019, for:

- Claudia-Gina ANASTASE
- Georgiana Andreea FLOREA
- Adrian SAVU

Appointed as provisional Directorate members for 2 months starting with 21.10.2019:

- Virgiliu IVAN
- Luca - Nicolae IACOBICI

Elected as Directorate Chairman, alternatively named Transelectrica Executive Director General or Chief Executive Officer - "CEO" Transelectrica Mrs. **ANASTASE Claudia-Gina**.

At the same meeting, Mr. Florin-Radu CIOCĂNELEA was appointed as member of the Nomination and Remuneration Committee and the Energy Security Committee

- took note of the information regarding the signing of the Service Contract with IS Moldelectrica for carrying out further studies for the synchronous interconnection of the systems of Ukraine and the Republic of Moldova with the Continental European system ENTSO-E

- At the meeting on **14.11.2019**, the Supervisory Board members elected Mihaela CONSTANTINOVICI as Chairman of the Supervisory Board meeting. At this meeting:

- the simplified stand-alone interim financial statements were verified on the date and for the 9-month period ended September 30, 2019

- took note of the Activity Report prepared by the Directorate for the third quarter of 2019

- took note of the information regarding the implementation of the Annual Investment Program accumulated at September 2019 and the stage of the Annual Program of Sectorial Acquisitions between January-September 2019.

- At the meeting on **02.12.2019**, the Supervisory Board elected Mr. **Adrian GOICEA** as Supervisory Board Chairman.

At the same meeting, the following persons were appointed as members of the Nomination and Remuneration Committee:

- Sebastian Ioan BURDUJA - chairman
- Adrian GOICEA - member
- Jean-Valentin COMĂNESCU - member
- Oleg BURLACU – member
- Luiza POPESCU - member
- Jean BADEA – member

appointed as members of the Audit Committee of the Supervisory Board:

- Jean-Valentin COMĂNESCU - chairman
- Adrian GOICEA - member
- Luiza POPESCU - member

appointed as members of the Energy Security Committee of the Supervisory Board:

- Oleg BURLACU - chairman
- Sebastian Ioan BURDUJA - member
- Adrian GOICEA - member
- Luiza POPESCU - member
- Jean-Valentin COMĂNESCU - member
- Jean BADEA - member

At the same time, the Supervisory Board agreed with the following actions: renewal of the guarantee letter for BEI loan no. 25710/2010, the conclusion of an addendum to the credit agreement concluded with BCR aiming to grant a ceiling for issuing bank

guarantee letters in favour of ANRE and initiating the procurement of a revolving bank credit line amounting to 175 mill. lei over a one-year period necessary to ensure the functionality of the support scheme under optimal conditions.

- At the meeting on **13.12.2019**, the Supervisory Board took note of the provisional Directorate members' mandates coming to term on December 20, 2020 and appointed the provisional Directorate members for a 4-month period starting with 21.12.2019, with the possibility of extension for another two months, on:

- Cătălin NIȚU
- Ionuț-Bogdan GRECIA
- Adrian MOISE
- Ioan FOLESCU
- Andreea-Mihaela MIU

At the same meeting, it was elected as Directorate Chairman, alternatively named Transelectrica Executive Director General or Chief Executive Officer - "CEO" Transelectrica Mr. **Cătălin NIȚU**.

At the same time, they took note of the communication of Mrs. Stan-Olteanu Manuela Petronela by not accepting the mandate of provisional Supervisory Board member.

- agreed with the procurement of the BEI loan guarantee services no. 25710/2010
- decided to postpone taking a decision on the procurement procedure with respect to "220/110 kV Filești substation refurbishment", requesting additional documents

- the Directorate was requested to present all completed studies that are being implemented during 2019-2020.

- In the meeting of **18.12.2019**, the Supervisory Board asked the Directorate to postpone decisions with financial impact on the financial year of 2020 in terms of the salary fund, including postponing the discussions and taking a decision on salary increases regarding the Company's personnel, having taking into account the existing data by the time of this report on the Company's economic and financial situation,

- took note that, according to the notification of Mr. Sebastian-Ioan BURDUJA, registered within the Company on 17.12.2019, he no longer is, as of the date of the present document, a provisional Supervisory Board member of Transelectrica SA.



Financial Data

The synthesis of financial results for the second semester of 2019 is provided in the tables below. Their extended version for the same time period is presented in the Annexes to this Report.

Separate statement of profit or loss		
[RON mn]	S2 2019	S2 2018
Charged energy volume [TWh]	27.42	27.82
ALLOWED PROFIT ACTIVITIES		
Operating revenues	612	620
Operating expenses	433	410
EBITDA	179	210
Depreciation	138	147
EBIT	41	63
ZERO PROFIT ACTIVITIES		
Operating revenues	602	868
Operating expenses	567	941
EBIT	35	(73)
ALL ACTIVITIES (WITH PROFIT ALLOWED AND ZERO-PROFIT)		
Operating revenues	1,214	1,488
Operating expenses	999	1,352
EBITDA	214	137
Depreciation	138	147
EBIT	76	(11)
Net finance result	(4)	(3)
EBT	72	(14)
Income tax	6	3
Net profit	66	(17)

Separate statement of financial position		
[RON mn]	2019	2018
Non-current assets		
Tangible assets	3,440	2,988
Intangible assets	30	23
Financial assets	82	80
Total non-current assets	3,551	3,091
Current assets		
Inventories	38	35
Trade and other receivables	706	1,064
Other financial assets	85	0
Cash and cash equivalents	321	482
Total current assets	1,150	1,581
Total assets	4,700	4,672
Shareholders' Equity	3,284	2,809
Non-current liabilities		
Long term borrowings	123	144
Other non-current liabilities	561	520
Total non-current liabilities	684	664
Current liabilities		
Short-term borrowings	56	53
Other current liabilities	677	1,146
Total current liabilities	732	1,199
Total liabilities	1,416	1,863
Total shareholders' equity and liabilities	4,700	4,672

Note: For the ease of reading and understanding the results, some figures presented in graphs and / or tables use RON mn as a unit of measure and are rounded to this unit. This presentation convention might cause, in certain cases, minor differences between the total figures obtained by adding up the components.

OPERATIONAL RESULTS

Charged energy volume

In the second semester of 2019, the total charged energy volume for the services performed on the energy market (27.42 TWh) registered a slight decrease of 1.4% compared to the second semester of 2018 (the difference between the two periods being -0.4 TWh).

Operating revenues

The total operational revenues of the second semester of 2019 registered a 18% decrease compared to the similar period of the previous year (1,214 mill. lei in the second semester of 2019, from 1,488 mill. lei in the second semester of 2018), mainly due to the operating revenues related to the zero-profit activities (technological services and balancing market).

The **allowed profit activities** segment registered a slight 1% decrease in revenues (612 mill. lei in S2 2019 from 620 mill. lei in S2 2018), mainly due to the decrease in average tariffs starting July 1, 2019 (in force at the date of the report according to ANRE order no. 81/2019).

In the second half of 2019, revenues from the interconnection capacity allocation registered a decrease compared to the second semester of 2018, in the amount of 9.7 million lei, corresponding to the level of use of the interconnection capacity availability by electricity market traders.

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

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

Starting with 2016, the UIOSI principle has been implemented at the border with Bulgaria, and starting with 2017 at the border with Serbia as well. According to this principle, the participants not using the capacity won at the annual and monthly auctions are compensated (by Transelectrica) for that capacity. The

spare capacity is subsequently sold in the daily auctions. On the Hungarian border the direction is reversed, meaning that MAVIR compensates the participants for the unused capacities.

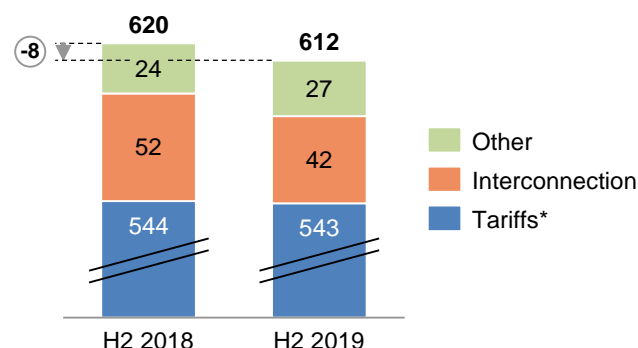
The market for interconnection capacity allocation is fluctuating as prices evolve depending on demand and on the needs of participants on the electricity market to purchase interconnection capacity.

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

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

Revenues from CPT transactions were lower in the second half of 2019 compared to the second half of 2018 with the amount of 0.7 million lei.

Operational revenue from activities with allowed profit
(mn RON)



* transmission fee, functional system services, reactive energy, unplanned DAM exchanges, ITC, OTC sale

Revenues from **zero-profit activities** registered a decrease of 31% (602 mill. lei in S2 2019 compared to 868 mill. lei in S2 2018) mainly due to the decrease of the revenues from the balanced market by 58% (from 573 mill. lei in S2 2018 to 243 mill. lei in S2 2019)

In the second semester of 2019, the revenues from the technological system services registered an increase compared to the second semester of 2018 with the amount of 63.5 mill. lei, determined by the increase of the regulated tariff approved by ANRE under the conditions of a decrease in the quantity of electricity delivered to consumers by 1.4%.

Revenues on the balancing market decreased by 329.8 million lei compared to the same period of the previous year as a result of:

- the decrease of the negative imbalance registered within the electricity suppliers on the balancing market as a result of achieving a better balance in 2019 compared to 2018;
- the way of contracting on the markets prior to the balancing market and the low participation on the day-ahead market and on the intra-day electricity market of electricity producers;
- evolution of hydraulics;
- the high degree of unpredictability and volatility of production from renewable sources (especially wind power);
- the evolution of the average deficit price registered on the balancing market;
- the evolution of the demand for electricity during a milder winter than in 2018.

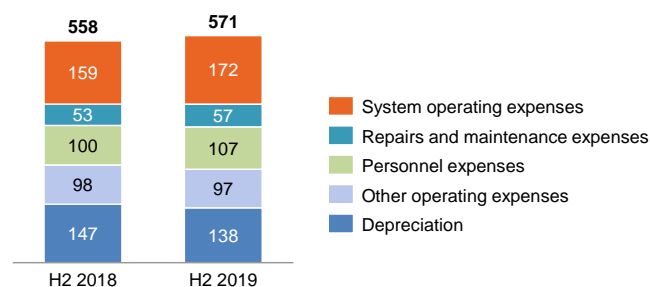
For 2020, an increase in the prices of electricity procurement is estimated, taking into account the legislative changes announced by ANRE for the electricity balancing market. Thus, starting with April 1, 2020, the balancing market will no longer be mandatory and will become optional, all price limits will be eliminated (meaning that the electricity price on this market can vary between minus 99,999 euros and 99,000 euros/MWh), settlement of transactions on the balancing market will be done at the marginal price, the possibility of aggregation on this market, including demand facilities, will appear, and the producers from renewable sources will continue to have priority dispatch.

Operational expenses

The total operational expenses (including depreciation) registered in the second semester of 2019 a decrease by 24% compared to the same period of the previous year (1,137 million lei versus 1,499 mill. lei in the second semester 2018), mainly following the evolutions in the segment of zero-profit activities.

In the segment of **profit-allowed activities**, expenses (including depreciation) increased by 2% (571 mill. lei in S2 2019 compared to 558 mill. lei in S2 2018).

Operational expenses from activities with allowed profit (RON mn)



OTC:

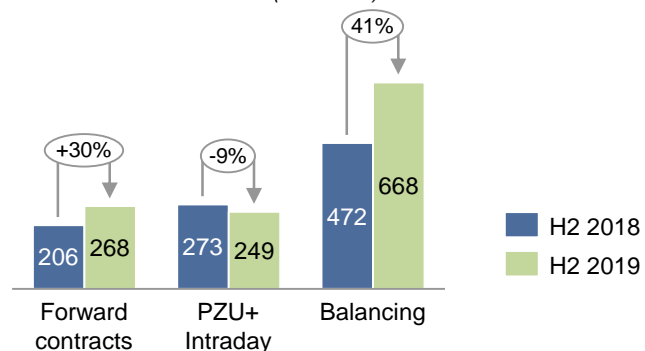
In the second semester of 2019, the expenses regarding the own technological consumption were higher by 7.6 mill. lei compared to the second semester of 2018, due to the increase of the average procurement price of the electricity required to cover the OTC within PTG.

These expenses represent expenses related to the purchase of electricity from the free electricity market, namely the Centralized Market for Bilateral Contracts (CMBC), the Day-Ahead Market (DAM), the Balancing Market (BM) and the Intra-day Market (IM) to cover OTC within PTG.

The differences between the actual hourly quantities and those purchased after trading on CMBC, DAM and IM are netted on the Balancing Market (BM) on the day of operation.

Starting with 18.01.2018, the Contract for "Electricity procurement with a view to cover imbalances from notified quantities relating to technological electricity losses in electricity transmission grids by transferring the balancing responsibility", no. C380/06.10.2014 entered into force, being concluded between CNTEE Transelectrica SA and CIGA ENERGY SA, whereby the purchase prices of energy from the balancing market were reduced.

Average procurement prices (ron/ MWh)



*The average price was calculated at the net value (purchases-sales) and does not take into account PRE services

Judging by the analysis of the average price evolution related to the forward contracts between 2018 and 2019, there is a clearly increasing trend, with a positive slope, without fluctuations, of the price recorded in 2018. In addition, the offers for sale of energy on CMBC were much lower compared to the existing purchase offers, making demand far exceed the supply and the closing price of the auctions be higher.

For January 2019, higher OTC expenses were registered, considering that the average price of contracts concluded on CMBC with delivery in January 2019 was 287.44 lei, 36% higher than the price in January 2018. This price trend was justified by the increase in the price of certificates for greenhouse gas emissions (ETS), by 120% from the beginning of 2018. From January 1, 2019, "Market stability reserve" (MSR) has entered into force, imposing a limited number of certificates for greenhouse gas emissions. This measure has mainly affected coal-fired power plants, which in many cases determine the marginal market price.

This was reflected in the average price of the contracts concluded on this market with delivery in the first semester of 2019, namely 278 lei, 32% higher than the price in the first semester of 2018.

At European level, prices are affected by the separation of the Germany-Austria bidding zone into two distinct zones, starting with October 1, 2018. The average purchase price of electricity on DAM is higher in the first half of 2019 than in last year's similar period, due to a demand that exceeds energy supply at European level.

In January 2019, Romania was mainly an electricity importer, given the unavailability of some power plants, which led to a significant increase in prices on the Day-Ahead Market (DAM). Thus, in January 2019 an average price on DAM was more than twice the price registered in January 2018.

For the following months, there was a trend of decreasing average price of energy purchased on the DAM and from the market for bilateral contracts compared to the price of January 2019. However, due to the other factors influencing the energy purchase, OTC costs remained higher than in the similar period of 2018.

The difference between the actual electricity consumed for OTC coverage and the purchased energy represents imbalances that are automatically covered by the Balancing Market.

In 2018, the ceilings limiting the minimum price and the maximum price of deficit were eliminated, which led to a

significant increase in the average price for the purchase of energy for deficit.

Thus, taking into account the total average purchase price on all markets, an average price of 279 lei/MWh in S2 2019, compared to the average purchase price of 251 lei/MWh, in S2 2018.

Congestions: Congestions (network restrictions) represent demands for electricity transmission beyond the technical capacity limits of the network requiring corrective actions of the transmission system operator; they occur whenever, during operational scheduling or in real time, the power circulation between two system nodes or zones leads to the failure to comply with operational safety parameters of a power system.

In the second semester of the current year, congestion expenses decreased by 2.8 mill. lei compared to the same period of 2018, as a result of the assurance of safety criterion N-1, due to the unavailability of 220 kV Fântânele – Gheorgheni OHL, caused by adverse weather conditions, and of safety criterion N-1 in section 4, due to the planned withdrawal from service of 400 kV Iernut - Sibiu Sud OHL.

Electricity consumption expenses in PTG substations: they increased by 1.5 million lei in the second semester of 2019 compared to the second semester of 2018, due to the upward evolution of electricity prices and, in particular, to the higher firm prices (unlike last year) the contracts were concluded with on the competitive market of electricity supply for 2019.

Functional system services: The related expenses registered an increase of 4.6 million lei in S2 2019 compared to S2 2018, mainly due to the increase of the expenses on the balancing market and on the day-ahead market regarding unplanned electricity exchanges with neighbouring countries interconnected to SEN.

Expenses with Inter TSO Compensation (ITC):

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

In the second half of this year, these expenses were higher by 2 million lei compared to the same period of the previous year.

The segment of **zero-profit activities** registered a 40% decrease in costs (567 million lei versus 941 million lei in S2 2018), mainly determined by the decrease of the expenses on the balancing market.

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

These services are contracted:

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

Expenses on technological system services decreased in the second semester of 2019 compared to the second semester of 2018, by 45 million lei (from 368 million lei in the second semester 2018 to 323 million lei in the second semester 2019).

The cost value with the TSS acquisition for the analysed period was mainly determined by the following factors:

- the purchase prices of the technological system services on the competitive market have been floating around the values registered in 2018 for SR (secondary reserve) and FPCR (fast tertiary control reserve).
- the purchase prices of the technological system services for STCR (slow tertiary control reserve) on the competitive market were lower compared to the purchase prices from 2018, due to a greater competition on this type of reserve.

An important influence on the TSS purchase cost on the competitive market was also determined by the very high level of concentration of the TSS market for the secondary reserve and the fast tertiary reserve during the analysed period.

During the reported period, the Company purchased technological system services in a regulated regime according to ANRE decisions and the legal regulations in force.

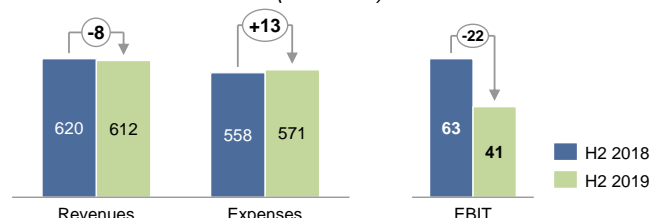
The company re-invoices the value of the TSS purchased from the producers to the electricity suppliers licensed by ANRE, who ultimately benefit from these services.

For 2020, it is estimated that the regulations that will be implemented in the national legislation in accordance with the provisions of EU Regulation 2019/943 on the energy market of the European Parliament and of the Council – 5 June 2019 will have a significant impact on the evolution of purchase costs of system services within the Company.

Operational result

The profit-allowed activities registered 41 million lei in S2 2019 compared to 63 million lei in S2 2018, due to the decrease of the revenues mainly due to the average regulated transmission tariff, a decrease also amplified by the increase of the total expenses (including depreciation) during the analysed periods.

EBIT structure for activities with allowed profit
(RON mn)



The **EBIT** generated by the **zero-profit activities** registered a positive result of 35 million lei compared to the negative profit of (73) million lei registered in the same period last year.

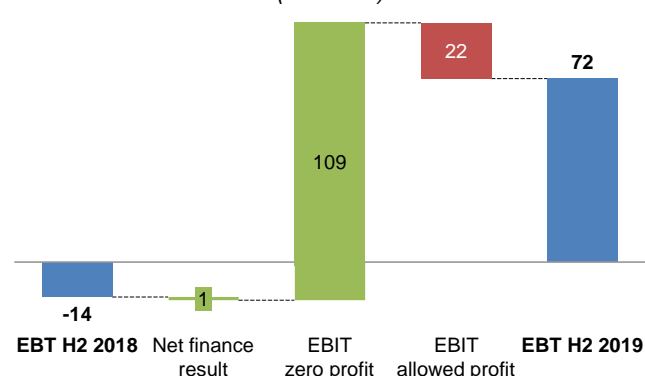
Between July – December 2019, TSS revenues were higher by 35.3 million lei compared to the expenses regarding TSS purchase.

Gross result (EBT)

The gross profit registered a significant increase, from a result of -14 million lei in the second half of 2018, to 72 million lei in the second half of 2019.

The dynamics between the profit registered in S2 2018 compared to S2 2019, broken down into the constituent parts of the profit, is presented in the following chart:

Dynamics of EBT elements
(RON mn)

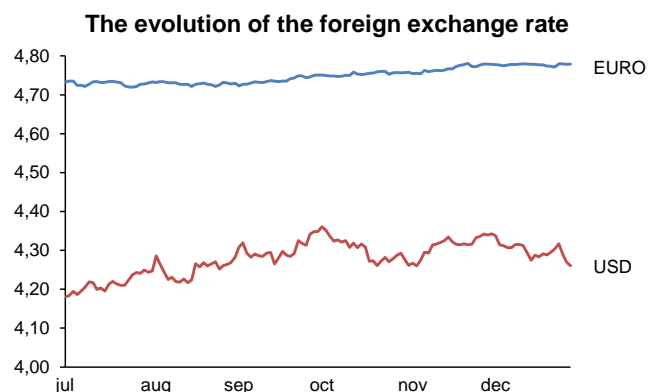


Financial result

The net financial result registered in the second half of 2019 was negative, amounting to 4 million lei. It is mainly influenced by the evolution of the exchange rate of the national currency in relation to the foreign currencies in which the Company has contracted bank loans to finance investment programs.

[RON mn]	H1 2019	H1 2018	Δ	Δ (%)
Financial Income	4	10	(6)	(60%)
- income from financial assets	0,00	- 0,13	0	101%
- interest income	2,92	6,18	(3)	(53%)
- income from exchange rate differences	1,04	3,73	(3)	(72%)
- other incomes	0,00	0,02	(0)	(77%)
Financial expenses	8	13	(5)	(35%)
- interest expenses	5,83	9,17	(3)	(36%)
- expenses from exchange rate differences	2,46	3,68	(1)	(33%)
- other financial expenses	0,00	0,00	0	n/a
Net financial result	(4)	(3)	(1)	(42%)

The evolution of the exchange rate leu/euro and leu/usd in the S2 2019 is shown in the following chart.



Net Profit

The net profit registered an increase, reaching 66 million lei in S2 2019, compared to -17 million lei in S2 2018.

FINANCIAL POSITION

Fixed assets

Fixed assets registered an increase of 15% at the end of 2019 compared to 2018, following the registration of the revaluation of tangible assets as well as the increase of the tangible assets in progress.

Special installations, machines and equipment, metering and control devices and the vehicles were reassessed in the financial year ended December 31, 2019 by an independent evaluator authorised by the National Union of Authorised Evaluators of Romania (ANEVAR). These assets were mainly reassessed using the cost-based method.

In the cost-based method, the gross replacement cost was established using the indirect method. The cost-based method was used for reasons of asset specialisation for which there was insufficient market information and/or the absence of an active market.

Intangible assets increased in S2 2019 mainly due to the recognition of the right to use the spaces rented by the Company in the Platinum office building.

Current assets

Current assets decreased by 27% as of December 31, 2019 (1,149 mill. lei) compared to the value recorded on December 31, 2018 (1,581 mill. lei), mainly determined by the decrease in receivables and other similar accounts.

Trade receivables registered a 34% decrease (706 million lei as of December 31, 2019 from 1,064 million lei at the end of 2018), mainly due to the decrease of:

- Receivables on balance on December 31, 2019, amounting to 134 million lei, related to the balancing market, which decreased in value compared to December 31, 2018 (400.6 million lei), as a result of the decrease in transactions on this market.
- Clients on balance from operational activities that as of December 31, 2019, recorded an increase compared to December 31, 2018, mainly due to the collection of receivables related to December 2019 invoices issued for the electricity market, in the financial year 2020, during January;
- The main clients on balance on the electricity market are represented by: RAAN, Electrica Furnizare, Enel Energie Muntenia SA, E.ON Energie Romania SA, Enel Energie SA, OPCOM, MAVIR, MET Romania Energy, Alro SA, Petropod SRL.

The percentage of the main clients in the electricity market is about 50% in all trade receivables.

Of all trade receivables registered on December 31, 2019, 23% is receivables to be collected from the bonus-type support scheme for the promotion of high-efficiency cogeneration (19% as of December 31, 2018).

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

Clients in the bonus-type support scheme for the promotion of high-efficiency cogeneration registered a decrease on December 31, 2019, mainly due to the collection of receivables corresponding to the ANRE decision regarding the overcompensation of the cogeneration activity for 2016, amounting to 57 million lei issued in March 2017, for Electrocentrale București SA, by establishing the intervention of the legal compensation, validated by the judicial administrator of Electrocentrale București SA (BPI no. 20461/29.10.2019).

On December 31, 2019, the Company recorded receivables to collect in the amount of 175 million lei, represented by the invoices issued under the bonus-type support scheme for the promotion of high-efficiency cogeneration, of which:

- overcompensation of 76.7 million lei 2011-2013, respectively from RAAN - 63.46 million lei and CET Govora SA - 13.23 million lei;
- undue bonus for 2014 in the amount of 3.91 million lei, from RAAN - 1.98 million lei, and CET Govora - 1.93 million lei;
- undue bonus for 2015 amounting to 0.56 million lei, namely from CET Govora - 0.53 million lei, Interagro - 0.03 million lei;
- contribution for cogeneration uncollected from the suppliers of electricity consumers and amounting to 21.25 million lei, namely from: Transenergo Com - 5.88 million lei, PetProd - 4.39 million lei, Romenergy Industry - 2.68 million lei, RAAN - 2.38 mil lei, UGM Energy - 1.50 mil lei, CET Govora - 0.90 mil lei, KDF Energy - 0.88 mil lei and others.

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

Other receivables as of December 31, 2019, in amounting to 115.3 million lei, mainly include:

- various debtors (108 million lei), of which:
 - interest on late payments computed for clients in default of payment, amounting to 72.1 million lei (of which the amount of 35.3 million lei represents interest related to the support scheme). The biggest interest on late payment were registered by clients: RAAN (16.9 million lei), CET Govora (9.6 million lei), Electrocentrale București (9.4 million lei), Eco Energy SRL (8.9 mill. lei), Petprod SRL (8.9 mill. lei), Total Electric Oltenia (3.2 mill. lei), Enol Grup (2.5 mill. lei), Also Energ (2.1 mill. lei). Allowances were recorded for the interest calculated for the late payment of receivables from the operational activity;
 - compensations owed by suppliers for the failure to deliver electricity amounting to 3.5 million lei (Arelco Power - 1 million lei and Enol Grup - 2.5 million lei).

Allowances were recorded for the compensation owed by suppliers from the operational activity;

- receivables from OPCOM amounting to 5.8 million lei, 4.5 mill. lei representing VAT for the contribution in kind to the subsidiary's equity and 1.3 million lei representing interest;
- deferred expenses amounting to 1.05 million lei of which the most relevant are: rent and maintenance paid by Dagesh Rom SRL for January 2020 (0.7 million lei);
- other receivables amounting to 4.6 million lei, of which 4.2 mill. lei represent guarantees for temporary occupation of the land calculated and retained in accordance with art. 39 para. (1), para. (2) and para. (5) of Law no. 46/2008 regarding the Forestry Code, in order to achieve the investment objective 400 kV Reșița – Panchevo OHL (Serbia).

Debt

Long-term liabilities amounting to 588 million lei as of December 31, 2019, registered an 11% decrease due to reimbursements made according to the existing loan agreements and the deferred income decrease.

At the same time, **short-term liabilities** registered a decrease of 39% (from 1,199 mill. lei on December 31, 2018 to 734 mill. lei on December 31, 2019), mainly due to the decrease of trade payables and others as follows:

- As of December 31, 2019, compared to December 31, 2018, **the liabilities on balance on the energy market** amount to 390.1 million lei compared to 780.3 million lei being influenced by:
 - *the decrease of the balance of liabilities related to the balancing market* was determined by the payment of the payment obligations on balance on the electricity market as of December 31, 2018 (383 million lei) and by the decrease of the volume of transactions on the balancing market from quarter IV 2019 compared to quarter IV 2018, with an impact on the volume of liabilities related to the balancing market, on balance as of December 31, 2019 (77.5 million lei).

The suppliers on the electricity market are mainly represented by: Hidroelectrica, MAVIR, Complexul energetic Oltenia, Electrocentrale București, OPCOM, Complexul energetic Hunedoara, Romgaz, Ciga Energy, Veolia Energie Prahova, Electrocentrale Galați. As of December 31, 2019, their share in the total transactions of the energy market suppliers is about 85%.

- *the decrease of the balance of liabilities related to the operational activity* was mainly determined by the payment of payment obligations on balance on the electricity market as of December 31, 2018;

- the decrease of liabilities regarding the support scheme to suppliers (producers) was mainly determined by the payment of the debt corresponding to the withheld monthly bonus, the amount of 57 million lei for Electrocentrale București SA, on the basis of the intervention of the legal compensation, validated by the Electrocentrale București SA's judicial administrator (BPI no. 20461/29.10.2019). On December 31, 2019, payment obligations are recorded to suppliers (producers) in the amount of 54.6 million lei (RAAN - 51.2 million lei, and CET Govora SA - 3.4 million lei, representing the monthly cogeneration bonus, ante-overcompensation for 2014 and 2015, the ungranted bonus for 2015 and 2016.

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

- other liabilities significantly decreased from 159.9 mill. lei in December 2018 to 68.7 mill. as of December 31, 2019, based on dividend payment in the first part of 2019 and the decrease of the various creditors (as of December 31, 2019 they amount to 1.5 million compared to 24.9 million lei in December 2018)

The 2016 and 2017 dividends due to the Company's shareholders as of December 31, 2019 and unpaid amount to 0.7 mill. lei.

These amounts are available to shareholders through the payment agent.

Provisions registered a decrease from 95.6 million lei as of December 31, 2018 to 67.9 million lei as of December 31, 2019, mainly due to the reversal of the provision amounting to 31.18 million lei for the dispute with ASITO KAPITAL SA regarding file no. 35865/3/2018 (old file no. 24552/3/2017), pending before Bucharest Tribunal, Section VI Civil.

At the judgmental term of 19.02.2019 after the conclusion of the inquiry and the parties talking on exceptions, evidence and the merits of the case, the court had been deliberating, postponing the ruling twice until 20.03.2019. After deliberation, the Bucharest Tribunal handed down the following solution, briefly:

- Dismisses the head of claim on returning of forced execution, as inadmissible.
- Dismisses the request for refund of the stamp duty related to head of claim on returning of forced execution, as unfounded.
- Dismisses the request for annulment made by the objector – debtor ASITO KAPITAL SA against Civil

Decision no. 4067/07.11.2017 pronounced by Bucharest Tribunal – Section VI civil in file no. 24552/3/2017, in contradiction with the respondent - creditor National Power Grid Company TRANSELECTRICA SA, as unfounded. Final.

Pronounced in open court on 20.03.2019. Document: Decision no. 743/03.20.2019.

By the Certificate of Registry, issued on 18.04.2019 by Bucharest Tribunal – Section VI civil, Decision no. 743/03.20.2019 is certified.

On 04.10.2019, Asito Kapital appealed Civil Decision no. 3840/19.12.2018, the file being submitted to the Bucharest Court of Appeal for the settlement of the appeal, the court term not being fixed at this time. Transelectrica filed a counter-statement within the legal deadline, and the court term will be set.

On 06.11.2018, ASITO KAPITAL SA paid to the Company the amount of 31.2 million lei as follows:

- the amount of 21.2 million lei - according to Civil Decision no. 4067/2017 (4,821,022.53 euro at the exchange rate of 4.4041);

- the amount of 9.9 million lei - according to Civil Decision no. 4067/2017 (2,237,750.83 euro at the exchange rate of 4.4458).

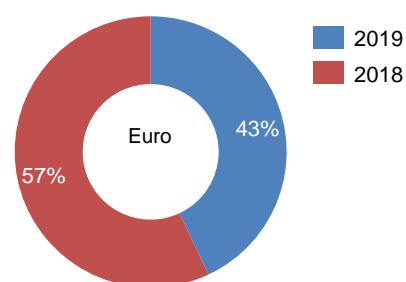
At the term of 11.11.2019 the case was postponed. The solution in short: Admits the request. The stamp duty due by the complainants in the present case is staggered in the amount of 185.8 million lei, in 3 equal monthly installments, due on the 20th of each month, starting with November 2019, in the amount of 61.9 million lei each. With the right to request a review within 15 days of the communication.

The next term was set on 18.05.2020.

Interest-bearing liabilities

As of December 31, 2019, the value of long-term loans decreased compared to December 31, 2018, mainly due to repayments made under existing loan agreements.

Structure per currency



Equity

Equity had a 17% increase, mainly due to the increase in the revaluation reserve (922.4 mill. lei as of December 31, 2019 compared to 522.6 mill. lei as of December 31, 2018) and a 9% increase in the retained earnings based on the excess from revaluation reserves, which is non-taxable/taxable upon change of destination.

EVOLUTION OF SHARES

(01-July-2019 to 31-December-2019)

During July-December 2019, Transelectrica shares (BVB symbol: TEL) decreased compared to the main index of the Bucharest Stock Exchange (BET), as well as the BET-NG index, for most of the analysed period.

The second semester of 2018 debuted with a trading price of 21 lei/share, the market capitalization amounting to 1,448 mill. lei, the share price amounting to 19.75 lei at the end of the period (December 30, 2019). The minimum transaction price of 19.60 lei/share was registered in the second half of 2019, on 11.12.2019, while the maximum of 21.20 lei/share was reached on 12.07.2019.

The trading of TEL shares on the Romanian capital market in the second half of 2019 registered 5,925 transactions with an average number of 46.29 transactions/day and 1,851,965 shares traded, with a total value of 37,358 thousand lei.

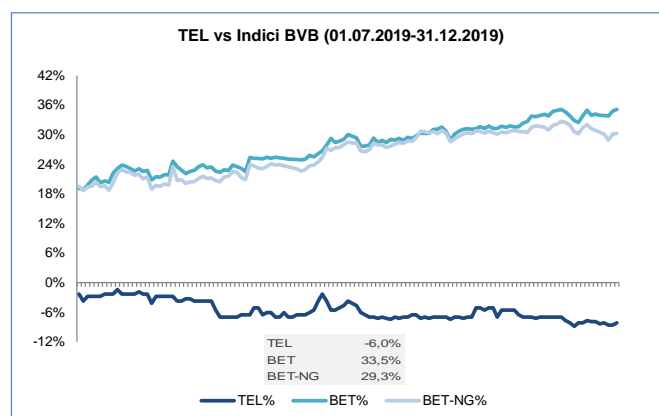
Transelectrica shares are part of the structure of the following stock indices: BET, BET-BK, BET-NG, BET-TR, BET-XT, BET-XT-TR, BETPlus.

Of these, the most representative for the Company are:

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

According to the last adjustment date registered on 13.12.2019, TEL shares hold 1.42% in the BET index and 4.06% in the BET-NG index.

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



MAIN RISKS AND UNCERTAINTIES

In the environment in which the Company operates, there are uncertainties regarding the threats in achieving the objectives or the opportunities.

Obviously, by identifying the threats, they can be ranked depending on the possibility of their materialisation, the extent of the impact on the objectives and the costs involved in the measures designed to reduce the odds or to limit the unwanted effects.

Within Transelectrica, the risks related to the operation of the Company's own activities are periodically and systematically analyzed, so a Register of identified risks and the corresponding Action plan to limit the possible consequences of these risks have been established, in accordance with the legal provisions.

Aspects that may affect the Company's liquidity include:

- interest rate fluctuation,
- exchange rate variation,
- credit risk: the Company incurs a financial loss due to the inability or refusal of a contractual partner to fulfill its contractual obligations. This risk mainly results from trade receivables, cash and cash equivalents,
- the provisions of the financing agreements: within the financing contracts, there are clauses regarding the observance of some financial indicators, changes of control over the Company, pari passu – type clauses. Any breach of these clauses may entail, based on a prior notice and a reasonable time, the prepayment of the loan, some loans having penalty clauses in the case of early repayment. To date, the Company has not received any notice of early repayment for the non-fulfilment of obligations,
- the non-payment risk of guarantees in investment projects: this type of risk's main cause results from the existence of some banking or insurance companies that offer guarantee services without having the financial capacity to fulfill the obligations undertaken in the issued guarantee instruments,

- the level of taxation, including the introduction of new taxes and charges.

The company is not limited to dealing with the consequences of events that would occur, but adopts a reactive management style, implementing measures designed to mitigate the manifestation of risks.

At the same time, the periodic review of risks, as provided for in the standards, leads to reallocation of resources in accordance with the change of hierarchies and, consequently, of priorities.

Transelectrica gives due importance to the risk environment analysis and the early identification of possible risks that may arise in the future and whose approach must be prepared in advance.

In S1 2019, the Company was able to meet its financial obligations.

Thus, there are no risks and uncertainties for the following months of the financial year 2019, other than those presented above, that might affect the Company's liquidity.

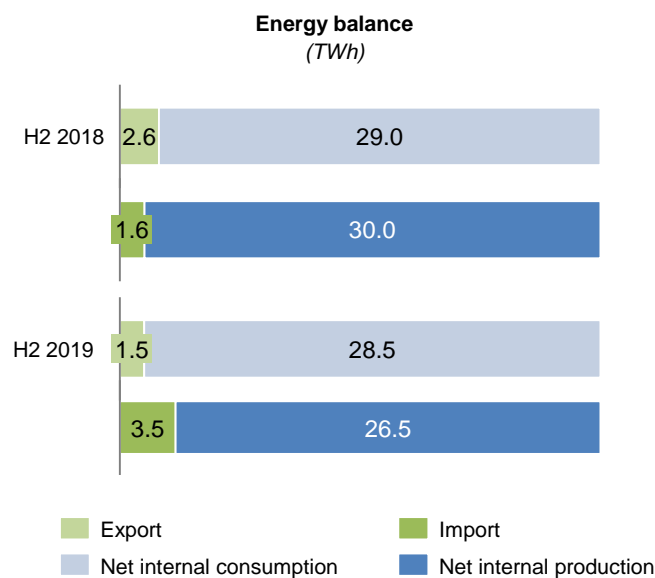


Operational data

ENERGY BALANCE IN THE SEN

Analyzing the evolution of the energy balance components, in the period July - December 2019 compared to the same period of the previous year, net domestic consumption¹ decreased by 2% and net energy production decreased by 11.6%.

Foreign cross-border physical exports decreased by 41.1% compared to the same period in 2018, while cross-border import flows increased by 115.6%.



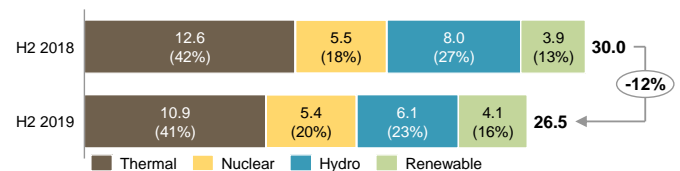
PRODUCTION MIX

In the structure of the production mix, in the period July - December 2019 compared to 2018, there was a decrease in the share of the thermal component of about 13.9%, the production from nuclear sources of 0.8%, and from renewable sources of 24.2%.

The contribution from renewable sources increased by 6.8%.

Examining the component shares of the net generation mix from January to December 2019 one can notice the greatest share (41%) is the thermal component, followed by the hydro one (23%), while the electricity generated from renewable and nuclear sources reached to about 15.6% and 20.5% respectively.

Net electricity production mix evolution (TWh)



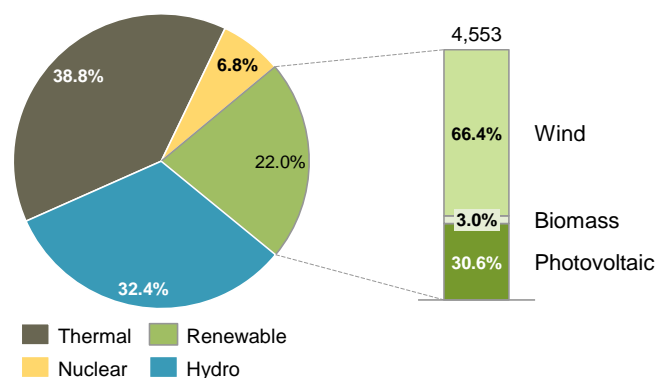
NATIONAL GENERATION FLEET

In S2 2019, the installed capacity on renewable sources increased by approximately 0.2%, compared to the same period of 2018.

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

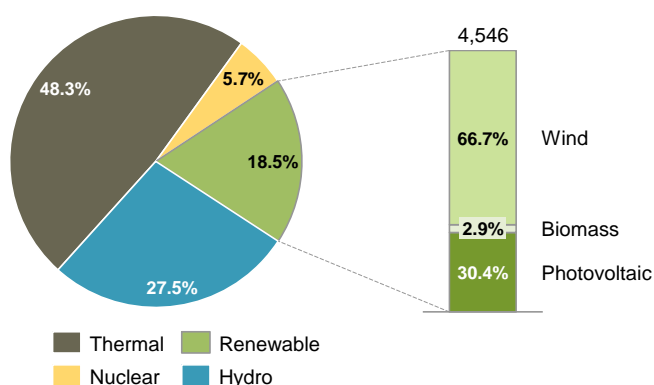
The dynamics of installed capacities associated to the time interval January – December 2019 versus 2018 is provided below:

Installed power 2019 (20.696 MW, gross)



¹ Net values do not include the consumption of own auxiliary services from electricity generating power plants; the net consumption value includes the losses of transmission and distribution networks and the consumption of pumps from pumping storage hydropower substations

Installed power 2018 (24.606 MW, gross)



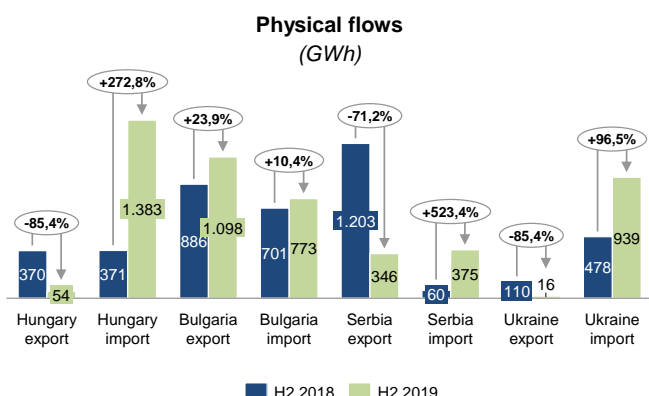
CROSS-BORDER FLOWS

The distribution of physical flows of import/export on interconnection lines in the S2 2019 compared to the same period of 2018 is as follows:

- export decreased on the borders with Serbia, Hungary and Ukraine and increased on the border with Bulgaria and import increased on the border with Bulgaria, with significant values along the interconnection lines located in the deficit areas of electricity production (on the borders with Hungary and Ukraine), but also an increase of 523% along the interconnection line located in the surplus area of electricity production, namely the border with Serbia).

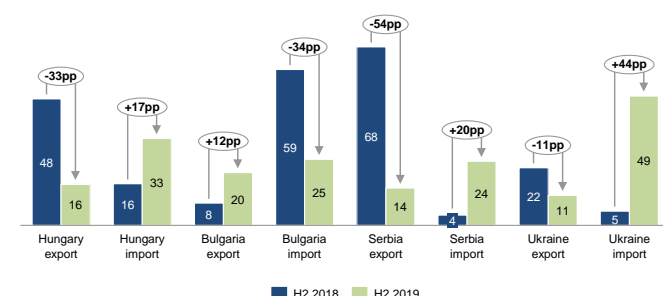
Specifically, compared to the second half of 2018, physical export flows decreased with Serbia (71.2% -857 GWh), Hungary (85.4% -316 GWh) and Ukraine (85.4% -94 GWh); they increased with Bulgaria (23.9% -94 GWh) at the same time as the significant increase of the physical import flows along the interconnection lines with Hungary (272.8% +1,012 GWh), Ukraine (96.5% +461 GWh), Serbia (523.4% +315 GWh), and Bulgaria (10.4% +73 GWh).

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



In the second half of 2019, the total allocated capacity utilization rate along the export interconnection lines decreased compared to the second half of 2018 on the borders with Hungary, Serbia and Ukraine, while increasing on the border with Bulgaria.

Usage rate of total allocated capacity (%)



The utilization rate of the total capacity rights on a border and direction represents the ratio expressed as a percentage between the energy related to the (notified) commercial exchanges performed within a month and the energy corresponding to the total capacity rights.

OWN TECHNOLOGICAL CONSUMPTION

Compared to S2 2018, in S2 2019 OTC within PTG decreased by approx. 2.6%, while OTC percentage dropped from 2.24% to 2.20%.

Factors that significantly influenced OTC in the second half of 2019, such as precipitation and distribution of physical cross-border flows, are not under Transelectrica's control.

PHYSICAL OTC GROWTH FACTORS

In July 2019, the absolute value of the OTC decreased by approx 13.2% compared to July 2018, due to the advantageous physical import/export flows which led to the decrease of the energy transmission remotely from the sources, and due to the significantly favourable weather conditions which determined the decrease of Corona losses. The losses percentage reported at the PTG-input energy decreased from 2.29% in 2018 to 1.93% in 2019. The contour input energy increased by approx. 2.8% (97GWh) in July 2019, compared to the similar period of 2018, as a result of the 525% increase in imports (397GWh), based on the 2.3% (69GWh) decrease in energy received from the producers connected to PTG and the approx. 60% (231GWh) in the energy received from the PDG.

In August 2019, the absolute value of the OTC increased compared to August 2018 with approx. 9%, mainly due to the more disadvantageous production structure and bad weather conditions that led to the increase of Corona losses. The losses percentage reported at the PTG-input energy increased from 2.04% in 2018 to 2.26% in 2019. The contour input energy decreased by approx. 1.6% (58GWh) in August 2019, compared to the similar period of 2018, as a result of the

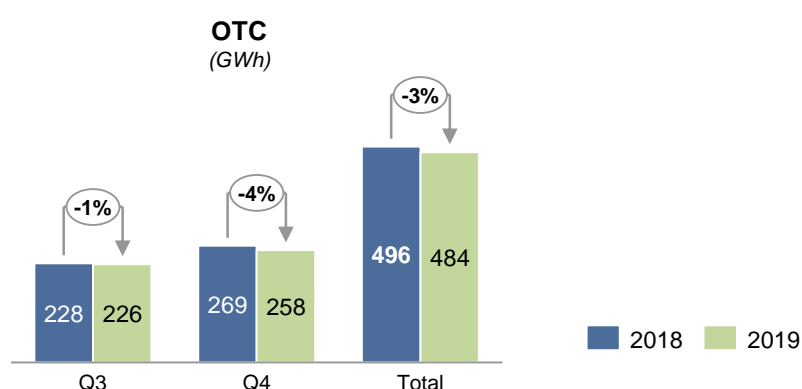
decrease with about 14% (441GWh) in energy received from the producers connected to PTG and with approx. 34% (84GWh) in the energy received from the PDG, amid the increase with 252% of the import (467GWh).

In September 2019, the absolute value of the OTC increased as compared to September 2018 by about 2.4%, due to the unfavourable production structure. The losses percentage reported at the PTG-input energy increased from 2.07% in 2018 to 2.11% in 2019. The contour input energy increased by about 0.5% (16GWh) in September 2019, compared to the similar period in 2018, following the increase with approx. 211% of the import (429GWh), amid the decrease of approx. 12% (370GWh) in the energy received from the producers connected to PTG and with approx. 21% (42GWh) in the energy received from the PDG. The weather conditions were similar to those of the previous year.

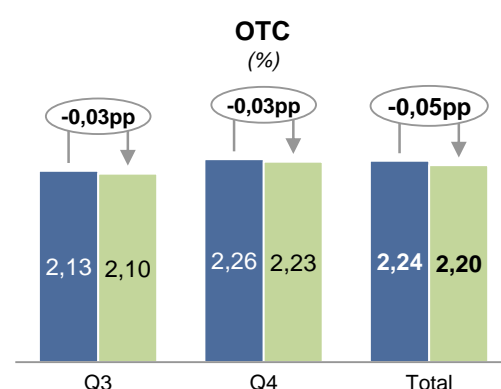
In October 2019, the absolute value of the OTC decreased compared to October 2018 by about 1.5%, due to the more favourable physical import/export flows, which led to the decrease of the energy transmission remotely from the sources. The losses percentage reported at the PTG-input energy decreased from 2.07% in 2018 to 2.04% in 2019. The contour input energy decreased by about 0.02% (0.7GWh) in October 2019, compared to the similar period of 2018, as a result of the 11.2% decrease in the energy received from the producers connected to PTG (371GWh) and by about 25.1% (49GWh) in the energy received from the PDG, amid the increase of 175,3% (419GWh) of imported energy. The weather conditions were unfavourable, the large amount of precipitation in October 2019 leading to greater corona losses compared to October 2018.

In November 2019, the absolute value of the OTC increased with approx. 0.3% compared to November 2018, mainly due to the more disadvantageous production structure and bad weather conditions that led to the increase of Corona losses, the physical flows being more favourable in 2019 compared to the previous year. The losses percentage reported at the PTG-input energy increased from 2.35% in 2018 to 2.45% in 2019. The contour input energy decreased by about 3.6% (144GWh) in November 2019, compared to the similar period in 2018, following the decrease with about 7.5% (252GWh) in the energy received from the producers connected to the PTG and with about 1% (2GWh) in the energy received from the PDG, amid the 30% increase of the import (110GWh).

In December 2019, the absolute value of the OTC decreased compared to December 2018 with about 9.8%, due to the more favourable physical flows along the interconnection lines and the weather conditions characterised by low precipitation. The losses percentage reported at the PTG-input energy decreased from 2.34% in 2018 to 2.20% in 2019. The contour input energy decreased by about 4% (169GWh) in December 2019, compared to the similar period in 2018, following the decrease with about 6.5% in the energy received from the producers connected to the PTG (222GWh), amid the increase of the import with 7.5% (40GWh) and with about 5.6% (13GWh) in the energy received from the PDG. The weather conditions were more favourable than in the previous year, with lower precipitation amounts leading to the reduction of corona losses.



In conclusion, in Q3 2019, OTC within PTG had a value of only approx. 1% lower than in 2018, in the context in which, within the three months, combined, the positive effect of the physical flows was largely cancelled by the negative impact of the more disadvantageous production structure, and the precipitation amounts in the respective intervals were comparable. Regarding the contour input energy, the losses decreased from 2.13% to 2.1%. Thus, in relation



to the contour input energy, losses decreased from 2.55% as of 9M 2018 to 2.29% as of 9M 2019.

In Q4 2019, OTC within PTG had a value of about 3.9% lower than that of the similar period of 2018, due to the favourable structure of the physical flows along the interconnection lines. Regarding the contour input energy, losses decreased from 2.26% to 2.23%.



Investments

FIXED ASSETS REGISTERED IN ACCOUNTING

During the analysed period, the ongoing investments have increased, various stages of implementation being in progress and they are to be accepted as fixed assets in the next regulatory period.

The value of the fixed assets registered in accounting in 2019 is 170.9 million lei (247.8 million lei in 2018) decreasing by 31%, respectively 76.9 million lei.

As of December 31, 2019, special installations, machines and equipment, metering and control devices and vehicles were reassessed by an independent evaluator authorised by the National Union of Authorised Evaluators of Romania (ANEVAR). These assets were mainly reassessed using the cost-based method.

In the cost-based method, the gross replacement cost was established using the indirect method. The cost-based method was used for reasons of asset specialisation for which there was insufficient market information and/or the absence of an active market.

In 2019, the largest transfers from ongoing tangible assets to tangible assets are mainly represented by the commissioning of investment objectives, as follows:

- 220/110 kV Turnu Severin Est substation refurbishment (CA Decision No. 10/08.09.2009) - 42.7 million lei;
- Refurbishment of 400/110/20 kV Domnești substation - 35.8 million lei;
- Refurbishment of 400 kV Isaccea substation - Stage I - replacing shunt reactors, the corresponding bays and 400 kV Stupina bay - 30.6 million lei;
- Refurbishment of 400/220/110/20 kV Bradu substation - 12.3 million lei;
- Upgrading of 110kV and 400 (220 kV) installations from Focșani Vest substation - 7.9 million lei;
- 110 kV, 220 kV and 400 kV mobile bays - 7.1 million lei;
- Modernisation of 110kV Bacău Sud and Roman Nord substations related to the 400 kV Moldova axis - 6.9 million lei;
- Replacement of Autotransformer 2 220/110 kV in Gheorgheni substation - 6.1 million lei;
- Vehicles for the completion of the CNTEE Transelectrica SA's car fleet - LOT2 - 2.8 million lei;
- Replacing autotransformers and transformers of electric substations - Stage 2, phase 2 - LOT 1 - LOT 2 - 2.6 million lei;
- Computation technique - hardware & software - Desktop PC – 1.9 mill. lei;
- Security solution to implement security measures for classified information – 1.5 mill. lei;
- Establishing the tele-protection system for 220 kV Tg Jiu Nord-Urechești OHL and for 400 kV Urechești – Țanțăreni OHL - 1.2 mill. lei;
- Relocating the high voltage networks 220 kV, Sebeș – Turda highway, lot 1, km 0 + 000 – km 17+ 000 - section C – km 0 + 300 – 1.1 mill. lei;
- Relocating the HV networks Brașov - Târgu Mureș - Cluj – Oradea Highway, section 2A Ogra- Câmpia Turzii, lot 2 Iernut - Chețani, km 3 + 600 km 21 + 500 - 400 kV Iernut - Sibiu Sud OHL, - 1.1 mill. lei;
- Relocating the HV networks Brașov - Târgu Mureș - Cluj – Oradea Highway, section 2A Ogra- Câmpia Turzii, lot 2 Iernut - Chețani, km 3 + 600 km 21 + 500 - 400 kV Iernut - Sibiu Sud OHL, - 1.1 mill. lei;
- Relocating the HV networks Brașov-Târgu Mureș – Oradea highway, section 2A: Ogra-Câmpia Turzii, Lot 2 Iernut - Chețani, km 3+600+21+500 - 220kV Iernut - Câmpia Turzii OHL, km 13+580 – 1 mill. lei;
- PTG connection of 400/110 kV Rahmanu substation – 1 mill. lei;
- Replacing breakers in electrical substations – 0.7 mill. lei;
- Specific furniture for dispatchers in DET [Territorial Dispatcher Bacău, DET Cluj, DET Craiova and DET Timișoara – 0.6 mill. lei;
- Replacing diesel group no. 1 and no. 2 in 400/110 kV Dârste substation – 0.5 mill. lei;
- Accumulator batteries Bacău Sud, Roman Nord, FAI – 0.4 mill. lei;
- Replacing tower no. 826 of 400 kV Urechești Domnești OHL – 0.4 mill. lei;
- Hydrocarbon (oil) separators for concrete platforms in Medgidia Sud substation – 0.4 mill. lei;
- Specific furniture for dispatchers in DET [Territorial Dispatcher Bacău, DET Cluj, DET Craiova and DET Timișoara – 0.4 mill. lei;
- PDG connection of 110 KV Ulmi electric substation, belonging to the Electricity Distribution Company Muntenia Nord SA, with the completion of works in the related line bay 110 KV Târgoviște - Titu (Ulmi)

- OHL from 220/110 kV Târgoviște electric substation belonging to CNTEE Transelectrica SA - 0.3 mill. lei;
- Regulating the coexistence of 220kV Alba Iulia – Șugag OHL and Alba Iulia - Gâlceag with motorway – 0.3 mill. lei;
- Works for water installations in 110/220 kV Suceava substation - 0.3 mill. lei;
- Special intervention towers, type Universal Anchor Portal for 220-400 kV voltage, including prefabricated foundation – 0.3 mill. lei;
- Hydrocarbon (oil) separators for concrete platform in Lacu Sărat substation - 0.2 mill. lei;
- Tele-protection 400 kV Arad (Romania) - Sandorfalva (Hungary) OHL - 0.2 mill. lei;
- Hydrocarbon (oil) separators for the concrete platform, 1250 MVA 400/110 kV transformer, 2250 MVA 400/110 kV transformer in 400/110 kV Constanța Nord substation - 0.2 mill. lei;
- Vehicle for rapid intervention in hard-to-reach areas - UTV and car platform - 0.2 million lei;
- Replacing accumulator batteries no. 2 in 220/110 kV Pitești Sud substation - 0.2 mill. lei.

FIXED ASSETS PROCUREMENT

The acquisitions of tangible and intangible assets in January – December 2019 amount to 241.7 mill. lei compared to the same period of 2018 when the purchases amounted to 170.6 mill. lei.

The balance of tangible assets in progress on 31 December 2019 is represented by ongoing projects, the most significant being provided below:

- PTG connection of the Ivești 300 MW WPP, Fălciu 1 88 MW WPP and Fălciu 2 18 MW WPP via the new Banca (400)/220/110 kV substation – 46.9 mill. lei;
- Converting the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis to the 400 kV voltage - stage I – 400 kV Porțile de Fier – (Anina) – Reșița OHL s.c. – 39.4 mill. lei;
- Connecting the 400 kV Isaccea - Varna OHL and the Isaccea - Dobrudja in 400 kV Medgidia Sud substation – 35 mill. lei;
- Modernisation of 220/110/20 kV Arefu electric substation – 16.8 mill. lei;
- Refurbishing 400/110/20 kV Domnești substation (CA Decision no. 5/19.05.2010) – 14.9 mill. lei;
- Executive – Extending the services providing business continuity and recovery after disasters - 14.4 mill. lei;
- Refurbishing 220/110 kV Hășdat substation – 14.4 mill. lei;
- 110 kV, 220 kV and 400 kV mobile bays – 14.3 mill. lei;

- Modernisation of 220/110/20 kV Râureni substation – 13 mill. lei;
- 400 kV Cernavodă – Stâlpu OHL d.c. and connection in Gura Ialomiței – 12.9 mill. lei;
- Refurbishing 220 kV Oțelărie Hunedoara substation – 11.6 mill. lei;
- Modernisation of 220/110 kV Dumbrava substation – 11.5 mill. lei;
- Replacement of EMS SCADA AREVA system components - software component, hardware component – 11.4 mill. lei;
- Refurbishing 220/110/20 kV Ungheni substation – 9.8 mill. lei;
- Modernisation of 110kV Bacău Sud and Roman Nord substations related to the 400 kV Moldova axis – 8.2 mill. lei;
- Integrated security system in electric substations, stage IV – 8 mill. lei;
- Converting the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis to the 400 kV voltage - stage I – - 400/220/110 kV Reșița substation – 6.6 mill. lei;
- Refurbishing 220/110 kV Craiova Nord substation – 6.5 mill. lei;
- 400 kV Gădălin – Suceava OHL, including the NPS interconnection – 6 mill. lei;
- 400 kV HVDC link (Romania - Turkey submarine cable) – 5.9 mill. lei;
- Technology research and development centre for working with live equipment (LST) and rapid intervention in the NPS – centre building – 4.8 mill. lei;
- Modernisation of 400 (220)/110/20 kV Munteni substation – 4.8 mill. lei;
- 400 kV Suceava - Bălți OHL, for the part of the project on Romanian territory – 4.4 mill. lei;
- 400 kV Gutinaș – Smârdan OHL d.c. – 3.9 mill. lei;
- Replacing breakers in electrical substations – 3.5 mill. lei;
- Converting the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis to the 400 kV voltage - stage II, 400 kV Reșița - Timișoara – Săcălaz OHL d.c. – 3.3 mill. lei;
- Upgrade of the tele-protection and telecommunications system in Cernavodă substation – 3.2 mill. lei;
- Extending the control system with new functions and IT registration of access in the objectives of CNTEE Transelectrica SA – 3.2 mill. lei;
- Connecting the 136 MW WPP Platonești, Ialomița county, to the PTG by constructing a 110 kV bay in 400/110 kV Gura Ialomiței substation – 2.9 mill. lei;
- Integrated security system in electric substations, stage III – 2.8 mill. lei;
- Diverting 110 kV Cetate 1 and 2 OHL near 110/20/6 kV Ostrovul Mare substation – 2.6 mill. lei;

- Connecting the 99 MW WPP Dumești and 30 MW WPP Românești, Iași county, to the PTG through a 110 kV line bay in 220/110 kV FAI substation – 2.5 mill. lei;
- Refurbishing 400/110/20 kV Smârdan substation – 2.5 mill. lei;
- 400,220,110kV OHL modifications in order to achieve the objective Breakthrough of Bd. N.Grigorescu - Splai Dudescu – 2 mill. lei;
- Modernisation of 110kV and 400(220 kV) installations in Focșani Vest substation – 2 mill. lei;
- Replacing Autotransformer 3 - ATUS-SF 400/400/160 MVA 400/231/22kV, in 400/220kV Porțile de Fier substation -1.7 mill. lei;
- Executive: Consolidation, upgrade and extension of CNTEE Transelectrica offices – 1.6 mill. lei;
- Replacing autotransformers and transformers in electric substations - stage 2 – 1.6 mill. lei;
- 220 kV Ostrovu Mare OHL d.c. - PTG (CA Decision no. 17/2007) – 1.5 mill. lei;
- Refurbishing 220/110 kV Iaz substation – 1.5 mill. lei;
- Extending 400 kV Cernavodă substation - Stage I+II, replacing 2 shunt reactors, Connecting new lines – 1.2 mill. lei;
- Integrated security system in new 400/220/110 kV Banca substation – 1.1 mill. lei;
- Deploying an optical fiber line between 110 kV Pitești Sud substation and the remote control and installation supervision center of Pitești TB (SF) – 1.1 mill. lei;
- Modernisation of DET Timișoara building – 1.1 mill. lei;
- 400 kV Oradea – Beckescsaba OHL – 1 mill. lei;

The balance of intangible assets in progress as of 31 December 2019 is mainly represented by:

- Replacement of EMS SCADA AREVA system components - software component, hardware component – 14.8 mill. lei;
- Implementing an Electronic Archiving and Document Management system within CNTEE Transelectrica SA – 5.5 mill. lei;

- Executive – Extending the services providing business continuity and recovery after disasters – 0.4 mill. lei.

The increase of intangible assets as of December 31, 2019 is mainly due to the recognition of the right to use, in the amount of 10.5 million lei, the spaces rented by the Company in the Platinum office building (contract no. C217/2015 signed with Dagesh Rom SRL), according to the provisions of IFRS 16 – Leasing contracts.

In 2019, the largest transfers from ongoing intangible assets to intangible assets are mainly represented by the commissioning of investment objectives, as follows:

- Solution upgrade for existing antimalware;
- Program with license (software) for SCADA - 220/110 kV Turnu Severin substation;

Windows Server 2019 (24 core) license 6 pcs

CONTRACTUAL ASPECTS

The most important investment contracts signed in 2019 are:

- 400 Kv Cernavodă – Stâlpuri OHL d.c. and connection in Gura Ialomiței substation – 287.6 mill. lei
- Refurbishing 110 kV Timișoara substation and converting the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis to 400 kV voltage, stage II: 400 kv Timișoara substation – 87.7 mill. lei,
- Refurbishing 220/110 kV Iaz substation – 54.8 mill. lei,
- Mounting AT2 400 MVA and related bay in Iernut substation and upgrading the command-control system of 400/220/110/6 kV Iernut substation, connecting to the PTG of CCC 430 MW Iernut generation facility belonging to Romgaz SA and design and execution of protection systems for the connecting lines of the new SPEE Iernut units – 30.7 mill. lei.



Other Aspects

TARIFFS

The ANRE-approved tariffs (Order 81/2019) are provided in the table below:

Index	Tariff	UM	Tariff applied as of Jul 1st – Dec 31st 2018	Tariff applied as of Jul 1st – Dec 31st 2019	Difference %
A	Electricity transmission	lei/MWh	18.13	17.68	-2.5%
B	Functional system services	lei/MWh	1.11	1.84	+65.9%
C	Technological system services	lei/MWh	10.44	13.05	+25.0%

Further are provided the factors that significantly contributed to changing the tariffs at the last ANRE review.

Electricity transmission service

The **(-2.5%)** tariff decrease is mainly explained by two factors:

1. Ex-post corrections - applied to compensate the differences between estimated values used for tariff calculations in previous years and the actual registered values (final corrections related to the difference between estimated costs and revenues and those for July 1, 2017 - June 30, 2018, the inflation correction used in setting the tariff for the July 1, 2017 - June 30, 2018 tariff period, and the correction related to the recovery difference between the inflation used in establishing the tariff for the tariff period July 1, 2016 - June 30, 2017 and the one achieved were positive. The contribution of the ex-post corrections to the increase of the newly-approved tariff with respect to the tariff in force is **+1.9%**;

The most important elements of the ex-post corrections applied in calculating the new approved tariff are: (i) electricity procurement price to cover one's own technological consumption, (ii) uncontrollable operating and maintenance costs, (iii) the costs related to electricity transmission between TSOs, (iv) the necessary costs to eliminate congestion, (v) the revenues from other activities that use the recognized resources for transmission (revenues from the allocation of the interconnection capacity, revenues from other benefits, revenues from reactive power, revenues from the transit in perimetric countries and the reduction of the Company's contribution to the ANRE budget for 2020, from 2% to 0.2% of the Company's turnover (Order ANRE 1/2020).

2. Ex-post corrections - applied in relation with the investment program and the efficiency gains for the controllable operating and maintenance costs. By applying the provisions of ANRE Order no. 57/08.05.2019, the correction taken into account when calculating the tariffs valid as of July 1, 2019 was 1/10 for the correction resulted as a difference between the approved investment program's value and the one of the period 01.07.2014-30.06.2018 and 1/8 of the total value of the efficiency gain correction for controllable operating and maintenance costs. The ex-post corrections contributed **-6.6%** to changing the newly-approved tariff compared to the tariff in force;

In addition to the corrections presented above (points 1 and 2), which impacted the newly-approved tariff with -4.7% compared to the previous tariff, the annual forecast of recognised costs in the newly-approved tariff is higher than the annual cost forecast included in the previous tariff. The annual cost forecast's increase contributed **+3.3%** to changing the newly-approved tariff compared to the tariff in force.

Another factor that contributed to establishing the value of the approved tariff, entering into force on 01.07.2019 as compared to the value of the tariff in force until 30.06.2019, namely the electricity volume chargeable at the extraction point. This was increased from 55.4 TWh per year (27.7 MWh for one semester) to 56 TWh (28TWh for S2 2019). Such change in the billed amount of electricity contributed **-1.1%** to changing the newly-approved tariff compared to the tariff in force.

Functional system services

The tariff increase was determined by the following individual calculation elements:

- The ex-post correction applied to the regulated income resulted from the closure of the 2017-2018 tariff period and the correction from the estimation of the positive 2018-2019 tariff period 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 **+27.3%** to changing the newly-approved tariff compared to the tariff in force;
- The annual forecast of recognised costs in the newly-approved tariff is higher than the annual cost forecast included in the previous tariff. The annual cost forecast's increase contributed **+40.7%** to changing the newly-approved tariff compared to the tariff in force;
- The electricity volume chargeable at the extraction point was increased from 55.4 TWh to 56 TWh. Such change in the billed amount of electricity contributed **-2.04%** to changing the newly-approved tariff compared to the tariff in force.

Technological system services

The (25%) tariff increase was determined by:

- The ex-post positive correction included in the newly-approved tariff to compensate the accumulated loss in the tariff period 2018-2019. The ex-post correction contributed 11.7% to the increase of the newly-approved tariff compared to the tariff in force;
The annual forecast of recognised costs in the new tariff to procure technological system services in the tariff year July 1, 2019 - June 30, 2020 is higher than the forecast of recognised costs in the previous tariff year. The increase of the forecast for costs was determined by the increase of purchasing prices via auctions for technological system services in the current tariff period compared to the prices forecasted by ANRE. The contribution of the decrease in the annual cost forecast to the increase of the newly-approved tariff against the tariff in force is **14.43%**;
- The electricity volume chargeable at the extraction point was increased from 55.4 TWh to 56 TWh. Such change in the billed amount of electricity contributed **-1.1%** to the decrease of the newly-approved tariff compared to the tariff in force.



Annexes

ANNEX 1: Separate situation of financial position

[RON mn]	2019	2018	Δ	Δ (%)
	1	2	3=1-2	4=1/2
ASSETS				
Non-current assets				
Tangible assets	3,440	2,988	451	15%
Intangible assets	30	23	7	31%
Financial assets	82	80	1	2%
Non-current assets	0	0	0	n/a
Total non-current assets	3,551	3,091	460	15%
Current assets				
Inventories	38	35	3	8%
Trade and other receivables	706	1,064	(357)	(34%)
Other financial assets	85	0	85	n/a
Cash and cash equivalents	321	482	(161)	(33%)
Income tax to be recovered	0	0	0	n/a
Total current assets	1,150	1,581	(431)	(27%)
Total assets	4,700	4,672	29	1%
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' Equity				
Share capital, of which:	733	733	0	0%
<i>Subscribed share capital</i>	733	733	0	0%
Share premium	50	50	0	0%
Legal reserves	129	124	5	4%
Revaluation reserves	922	523	400	77%
Other reserves	16	67	(51)	(76%)
Retained earnings	1,434	1,313	121	9%
Total shareholders' equity	3,284	2,809	475	17%
Non-current liabilities				
Long term deferred revenues	361	411	(51)	(12%)
Long term borrowings	123	144	(21)	(15%)
Deferred tax liability	137	56	81	n/a
Employee benefits liabilities	64	52	11	22%
Total non-current liabilities	684	664	21	3%
Current liabilities				
Trade and other liabilities	563	1,021	(458)	(45%)
Other tax and social security liabilities	9	10	(1)	(13%)
Short-term borrowings	56	53	2	4%
Provisions	70	96	(26)	(27%)
Short-term deferred revenues	37	19	18	93%
Income tax payable	(2,0)	0.2	(2.3)	n/a
Total current liabilities	732	1,199	(467)	(39%)
Total liabilities	1,416	1,863	(446)	(24%)
Total shareholders' equity and liabilities	4,700	4,672	29	1%

ANNEX 2: Separate account of profit and loss

[RON mn]									
Indicator	H2 2019	H2 2018	Budgeted H2 2019	Budgeted H2 2018	2018	Achieved H2 2019 vs H2 2018	Achieved H2 2019 vs H2 2018 %	Achieved vs Budgeted H2 2019	Achieved vs Budgeted H2 2019 %
0	1	2	3	4	5	6=1-2	7=1/2	8=1-3	9=1/3
Operating revenues									
Transmission revenues	530	565	562	533	1,070	(35)	(6%)	(32)	(6%)
System services revenues	414	326	428	363	702	88	27%	(14)	(3%)
Balancing market revenues	243	573	459	483	904	(330)	(58%)	(216)	(47%)
Other revenues	27	24	19	23	46	3	11%	8	42%
Total operating revenues	1,214	1,488	1,468	1,402	2,722	(275)	(18%)	(254)	(17%)
Operating expenses									
System operating expenses	172	159	181	133	309	13	8%	(9)	(5%)
Balancing market expenses	243	573	459	483	904	(330)	(58%)	(216)	(47%)
Technological system serv. expenses	323	368	381	343	678	(45)	(12%)	(57)	(15%)
Depreciation and amortisation	138	147	151	161	298	(9)	(6%)	(13)	(8%)
Personnel expenses	107	100	109	102	189	7	7%	(2)	(2%)
Repairs and maintenance expenses	57	53	57	50	91	4	8%	0	0%
Materials and consumables	5	7	7	9	12	(2)	(29%)	(2)	(23%)
Other operating expenses	92	91	100	68	141	0	0%	(9)	(9%)
Total operating expenses	1,137	1,499	1,444	1,349	2,620	(361)	(24%)	(307)	(21%)
Operating profit	76	(11)	23	53	101	87	n/a	53	n/a
Finance income	4	10	2	5	17	(6)	(60%)	2	122%
Finance cost	8	13	5	10	25	(5)	(35%)	4	79%
Net finance result	(4)	(3)	(3)	(5)	(8)	(1)	(42%)	(1)	(52%)
Profit before income tax	72	(14)	20	48	93	86	n/a	51	n/a
Income tax	6	3	4	10	12	3	96%	2	46%
Net profit	66	(17)	16	38	81	83	n/a	50	n/a

ANNEX 3: Separate Situation of Cash Flow

[RON mn]	2019	2018	Δ
Cash flows from operational activities			
Profit of the period	104.5	81.3	23
Income tax expense	15.0	11.8	3
Amortisement expense	271.6	298.3	(27)
Expenses with adjustments for trade receivables impairment	5.9	12.1	(6)
Revenues from reversal of adjustments for trade receivables impairment	(4.0)	(8.3)	4
Losses from various debtors	1.2	0.0	1
Net revenues with adjustments for various debtors impairment	(1.4)	(32.9)	32
Net expenditures with adjustments for inventories impairment	(0.2)	0.4	(1)
Net profit/ loss on sale of tangible assets	0.4	(0.1)	0
Net expenditures on adjustments of value regarding tangible assets	0.6	1.6	(1)
Expenses/Revenues regarding provisions for risks and expenses, net	(27.8)	54.0	(82)
Interest expense, interest revenue and unrealised exchange rate gains	7.2	8.3	(1)
Cash flows before changes to working capital	372.8	426.3	(53)
Changes in:			
Clients and assimilated accounts - energy and other activities	66.3	(79.7)	146
Clients – balancing	266.5	(157.0)	424
Clients – cogeneration	24.1	20.2	4
Inventories	(3.0)	(2.8)	(0)
Trade and other liabilities - energy and other activities	(74.0)	110.3	(184)
Liabilities - balancing	(305.9)	178.5	(484)
Liabilities - cogeneration	(38.1)	(15.2)	(23)
Liabilities paid according to ANAF Taxation Decision	(2.8)	0.0	(3)
Other taxes and social insurance liabilities	(1.3)	1.4	(3)
Deferred revenues	(29.1)	(23.0)	(6)
Cash flows from operational activities	275.6	459.1	(183)
Interests paid	(8.9)	(20.3)	11
Income tax paid	(15.6)	(12.5)	(3)
Net cash generated from operational activities	251.1	426.3	(175)
Cash flows from the investment activity			
Acquisition of tangible and intangible assets	(241.7)	(170.6)	(71)
Proceeds from non-reimbursable EC financing	0.0	11.6	(12)
Received Interests	5.0	9.9	(5)
Participation titles held in TSC NET	0.0	(2.2)	2
Participation titles held in Joint Allocation Office SA (account 2653)	(1.2)	0.0	(1)
Proceeds from sale of tangible assets	0.0	0.7	(1)
Dividends cashed	0.1	1.1	(1)
Other financial assets	(85.0)	0.0	(85)
Net cash used in the investment activity	(322.8)	(149.5)	(173)
Cash flows used in financing activities			
Drawings from long-term loans	29.5	0.0	30
Repayments of non-current borrowings	(52.2)	(113.9)	62
Utilisation of the credit line for cogeneration	0.0	0.0	0
Bond repayment	0.0	(200.0)	200
Dividends paid	(67.0)	(1.5)	(66)
Net cash used in financing activities	(89.7)	(315.4)	226
Net increase/decrease in cash and cash equivalents	(161.4)	(38.6)	(123)
Cash and cash equivalents as at January 1st	482.2	520.7	(39)
Cash and cash equivalents at the end of the period	320.8	482.2	(161)

ANNEX 4: Economic and financial indicators for the reporting period

Indicator	Calculation formula	2019	2018
Current liquidity indicator (x)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.57	1.32
Indebtedness indicators (x):			
(1) Debt ratio indicator	$\frac{\text{Debt capital} \times 100}{\text{Shareholders' Equity}}$	5.4%	7.0%
(2) Debt ratio indicator	$\frac{\text{Debt capital} \times 100}{\text{Committed capital}}$	5.2%	6.6%
Days' sales outstanding ratio (days)	$\frac{\text{Average credit balance}^* \times \text{no. of days}}{\text{Turnover}}$	98.45	90.96
Non-current assets turnover ratio (x)	$\frac{\text{Turnover}}{\text{Fixed assets}}$	0.66	0.87

* When calculating the average balance account, the customers contributing to the turnover have been taken into consideration (energy, balancing, other customers, customer's invoices to be issued). The values corresponding to uncertain customers, cogeneration scheme and overcompensation were not included in the average balance account.

Annex 5 REPORT (according to the Decision of the General Assembly of Shareholders no. 4/29.04.2015) regarding the agreements signed in the second semester of 2019 for the purchase of goods, services and works with a value greater than 500,000 euro/purchase (for purchases of goods and works) and of 100,000 euro/acquisition respectively (for services)

No.	Contract no.	Contract Subject	Duration	Value		Contract Type	Legal Basis	Procurement Procedure
				Lei Thousands	Euro Thousands			
0	1	2	3	4	5	6	7	8
1	C 862/2019	Replacing AT3-ATUS-FS 400/400/160 MVA 400/231/22 KV in 400/220 KV Porțile de Fier substation	14	-	2.830	Works	Law 99/2016 + GD 394/2016	Open tender
2	C 870/2019	RCA and CASCO auto insurance services for vehicles owned by CNTEE Transelectrica SA (framework agreement)	36	1.903	-	Services	Law 99/2016 + GD 394/2016	Simplified procedure
3	C 849/2019	public/operational telephone services, integrated communications (VPN) and internet services (framework agreement)	36	-	924	Services	Law 99/2016 + GD 394/2016	Open tender
4	C 816/2019	Services for monitoring the quality of wastewater from electric transmission/connection substations, CNTEE TRANSELECTRICA SA headquarters and pollution reduction solutions	36	486	-	Services	Law 99/2016 + GD 394/2016	Simplified procedure
4	C 812/2019	Internal and external air transport services for 24 months (framework agreement)	24	2.627	-	Services	Law 99/2016 + GD 394/2016	Open tender
6	CT 755/2019	Corridor maintenance services of OHL passing through areas with arboreal vegetation	36	1.289	-	Services	Law 99/2016 + GD 394/2016	Open tender
7	C 919/2019	400 kV Cernavodă – Stâlpuri OHL d.c. and connection in Gura Ialomiței substation	24	287.649	-	Works	Law 99/2016 + GD 394/2016	Open tender
8	C 920/2019	400 kV Stâlpuri electric substation and modernisation of 110 kV bays and medium voltage in Stâlpuri electric substation	36	73.940	-	Works	Law 99/2016 + GD 394/2016	Open tender
9	C 892/2019	400 kV mobile bays to connect BC in 400 kV Bradu and Sibiu Sud substations	12	-	2.446	Supply	Law 99/2016 + GD 394/2016	Open tender
10	C 924/2019	Vehicles for the completion of the Transelectrica SA's car fleet – city vehicles with a cylinder capacity between 1,300 cc and 1,600 cc	1	2.777	-	Supply	Law 99/2016 + GD 394/2016	Open tender
11	C 05/2009 AA7	Addendum no. 7 to contract 05/2009 - "Business continuity and disaster recovery services"	12	-	626	Services	Law 114/2011	Negotiation without prior call
12	C 952/2019	Maintenance of the electricity quality monitoring system (SMCENEL)	36	2.776	-	Services	Law 99/2016 + GD 394/2016	Open tender
13	C 944/2019	Reparation of 100 MVar shunt reactor, 400kV București Sud	11	-	370	Services	Law 99/2016 + GD 394/2016	Open tender
14	PT 75/15210/2019	Specialised services for security, intervention, monitoring and intervention in special situations at the locations of Pitești transmission branch	6	1.471	-	Services	Law 99/2016 + GD 394/2016	Negotiation without prior call

No.	Contract no.	Contract Subject	Duration	Value		Contract Type	Legal Basis	Procurement Procedure
				Lei Thousands	Euro Thousands			
15	TM 69/2019	Corridor maintenance services of OHL passing through areas with arboreal vegetation	24	1.459	-	Services	Law 99/2016 + GD 394/2016	Open tender
16	C 997/2019	Credit guarantee contract BEI/2010	36	814	-	Services	Law 99/2016 + GD 394/2016	Own-initiative procedure
17	C 886/2019	Installing two modern means of compensating reactive power in 400/220/110/20 kV Sibiu Sud and 400/220/110/20 kV Bradu substations (design)	12	768	-	Services	Law 99/2016 + GD 394/2016	Open tender
18	CR 45/2019	Specialised services for security, monitoring and intervention at the locations of Craiova transmission branch for 4 months	4	714	-	Services	Law 99/2016 + GD 394/2016	Negotiation without prior call
19	C 993/2019	Subscription for the license of use and technical support for the program for modeling the electricity market	36	-	142	Services	Law 99/2016 + GD 394/2016	Negotiation without prior call
20	BA 764/2019	Cleaning and sanitation services at the locations of Bacău TB and DET	24	650	-	Services	Law 99/2016 + GD 394/2016	Open tender
21	C 887/2019	Subsequent contract no. 2 for framework agreement no. C 161/2018 - "Mobile and mobile internet services"	12	-	127	Services	Law 99/2016 + GD 394/2016	Retender
22	PT 62/12745/2019	Mowing, tree cutting and vegetation removal for fire prevention in the power substations of Pitești transmission branch	36	531	-	Services	Law 99/2016 + GD 394/2016	Open tender
23	C 950/2019	Subsequent contract no. 1 for framework agreement no. C 870/2019 - "RCA and CASCO auto insurance services for vehicles owned by CNTEE Transelectrica SA"	12	483	-	Services	Law 99/2016 + GD 394/2016	Retender

