



Societate Administrată în Sistem Dualist

Compania Națională de Transport al Energiei Electrice
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NOTE

regarding the approval of the loss coverage from actuarial losses
from the surplus of revaluation reserves taxable upon change of destination

I. General

According to the provisions of OMFP no. 881/2012, CNTEE Transelectrica SA has the obligation to apply, starting with financial year 2012, the International Financial Reporting Standards (IFRS) when drafting the stand-alone (separate) annual financial statements.

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 OMFP no. 1286/2012 was repealed, being replaced by OMFP no. 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards, with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

The accounting regulations in accordance with the International Financial Reporting Standards approved by OMFP no. 2844/2016, with later amendments and additions, provide in art. 176 the following:

(1) The retained accounting loss is covered by the profit of the financial year and the retained one, from reserves, capital and share capital premiums, according to the decision of the general assembly of shareholders or associates, in compliance with the legal provisions.

(2) In the absence of any express legal provisions, the order of the sources from which the accounting loss is covered is a matter for the general assembly of shareholders or associates, respectively for the management board.

GO no. 64/2001 regarding the distribution of the profit in national companies, national companies and trading companies (state-owned or majority state-owned), as well as in autonomous authorities, with later amendments and additions, stipulates in Art. III para. (1) the following:

“Starting with the approval of the 2016 financial statements, the entities provided in art. 1 para. (1) of Government Ordinance no. 64/2001, approved with amendments by Law no. 769/2001, with later amendments and additions, the retained result on balance as of December 31 of each year can be distributed as dividends or payments to the state or local budget in the case of autonomous authorities”.

According to IFRS, IAS 16 - Property, Plant and Equipment, paragraph 41 *“part of the surplus may be transferred as the asset is used by the entity. In this case, the amount of the transferred*

surplus would be the difference between the depreciation calculated based on the asset's revalued accounting value and the value of the depreciation calculated based on asset's initial cost".

Based on the provisions of IFRS and of the Directorate Note no. 8919/2013, the Company applies the method of capitalising the revaluation surplus as the asset is used, namely when registering the expenses with the depreciation related to the revaluation surplus.

The surplus from the revaluation reserves is registered as being achieved while registering the expenses regarding the depreciation related to the revalued values' increase.

On December 31, 2019, the Company records a **positive retained result from the surplus achieved from revaluation reserves** in the amount of **699,291,897 lei**, of which:

- the surplus from revaluation reserves, non-taxable upon change of destination in the amount of 24,317,669 lei, proposed for repartition as follows: for the establishment of the reserves related to the revenues from the transmission capacity allocation on interconnection lines in 2019;
- the surplus from revaluation reserves, taxable upon change of destination in the amount of 674,974,228 lei.

II. Justification

In accordance with the provisions of IAS 19 - Employee benefits, this standard is applied by employers when accounting for all employee benefits, namely short-term employee benefits, other long-term employee benefits, post-employment benefits and compensation for termination of an employment contract.

Thus, the Company must register in the accounting records a provision regarding the employees' benefits and to present information regarding the employees' benefits.

IAS 19 provides as follows:

1. *"The standard requires an entity to recognise:*

(a) a liability, when an employee has rendered services in exchange for benefits to be paid in the future; and

(b) an expense, when the entity consumes the economic benefits that arise as a result of the service rendered by an employee in exchange for employee benefits. "

109. *Settlement gains or losses represent the difference between:*

(a) the present value of the defined benefit obligation that is settled, as calculated on the settlement date; and

(b) the settlement price, including any plan assets transferred and any payments made directly by the entity in relation to the settlement.

Within the Company, actuarial calculations regarding post-employment benefits and other long-term benefits were determined by an authorised actuary, based on the service contract concluded with the Company.

Expenses with employee benefits are registered by establishing a provision, and the actuarial loss related to previous periods is recognised in the retained result.

As of December 31, 2019, the actuarial loss registered in the retained result amounts to **11,439,728 lei**.

III. Proposals

Following the above-mentioned information, pursuant to art. 176 of the Accounting Regulations in accordance with the International Financial Reporting Standards approved by OMFP no. 2844/2016 with later amendments and additions and to art. III paragraph (1) of GO no. 64/2001 with later amendments and additions, **we submit for the approval of the Shareholders' General Assembly the coverage of the actuarial loss amounting to 11,439,728 lei from the surplus from revaluation reserves, taxable upon change of destination**, since the non-taxable reserves available at the closure of the financial year were proposed for repartition as follows: establishing the revenues from the transmission capacity allocation on interconnection lines.

DIRECTORATE

Chairman	Member	Member	Member	Member
Cătălin NIȚU	Andreea-Mihaela MIU	Ionuț-Bogdan GRECIA	Corneliu-Bogdan MARCUS	Adrian MOISE

UEFA Director
Ana-Iuliana DINU

f. DC Manager
Georgiana-Beatrice ȘTEFAN – Head of
BCC

ENDORSED,

f. DJC Director
Dan-Cristian-Filip
LĂZĂRESCU

Manager
Alina-Elena
TEODORU