

NPG TRANSELECTRICA SA

Company managed by two-tier system

**Condensed Consolidated Interim Financial Statements
as of and for the six months' period ending on
30 June 2023**

Elaborated in accordance with the
International Accounting Standard 34 – “Interim Financial Reporting”

NPG TRANSELECTRICA SA
CONSOLIDATED FINANCIAL POSITION AS OF JUNE 30, 2023
(All amounts are presented in thousand RON, unless otherwise indicated)

	Nota	30 June 2023	31 december 2022
Assets			
Non-current assets			
Tangible assets		4.131.983	4.063.849
Assets representing rights of use under a lease		20.849	23.689
Intangible assets		302.886	337.941
Financial assets		40.664	40.720
Total non-current assets	4	4.496.382	4.466.199
Current assets			
Inventories		63.862	53.068
Trade and other receivables	5	1.581.425	3.342.852
Profit tax recoverable		-	4.128
Other financial assets		-	-
Cash and cash equivalents	6	499.979	333.681
Total current assets		2.145.266	3.733.729
Total assets		6.641.648	8.199.928
Shareholder's equity and liabilities			
Shareholders' equity			
Share capital		733.031	733.031
Share premium		49.843	49.843
Legal reserve		146.606	146.606
Revaluation reserve		701.355	734.233
Other reserves		100.154	39.351
Retained earnings		2.342.128	2.201.628
Total shareholders' equities attributable to Group owners	7	4.073.117	3.904.692
Non-controlling interests		-	-
Total equity		4.073.117	3.904.692
Non-current liabilities			
Long term deferred revenues	8	456.298	439.028
Long term Borrowings	9	43.801	55.588
Other loans and assimilated debts - Non-current lease liabilities	10	12.574	15.949
Deferred tax liabilities		103.570	110.070
Employee benefits obligations		86.881	86.881
Total non-current liabilities		703.124	707.516

NPG TRANSELECTRICA SA
CONSOLIDATED FINANCIAL POSITION AS OF JUNE 30, 2023
(All amounts are presented in thousand RON, unless otherwise indicated)

	Nota	30 June 2023	31 december 2022
Current liabilities			
Trade and other liabilities	10	1.673.759	3.352.175
Other loans and assimilated debts - Current lease liabilities	10	9.526	9.141
Other tax and social security liabilities	12	16.834	17.377
Current Borrowings	9	35.386	97.950
Provisions	11	67.257	71.557
Short term deferred revenues	8	58.629	39.520
Income tax payable		4.016	-
Total current liabilities		1.865.407	3.587.720
Total liabilities		2.568.531	4.295.236
Total shareholders' equity and liabilities		6.641.648	8.199.928

NPG TRANSELECTRICA SA
CONSOLIDATED PROFIT AND LOSS ACCOUNT STATEMENT AS OF JUNE 30, 2023
(All amounts are presented in thousand RON, unless otherwise indicated)

	Nota	30 June 2023	30 June 2022
Operating revenues			
Transmission revenues		959,057	832,550
System service revenues		192,751	251,720
Balancing market revenues		1,017,616	1,494,831
Other revenues		31,281	38,719
Total operating revenues	14	2,200,704	2,617,819
Operating expenses			
System Operating Expenses	15	(307,070)	(466,036)
Balancing market expenses	15	(1,017,157)	(1,494,866)
System services expenses	15	(230,735)	(230,820)
Depreciation and amortization	16	(170,310)	(135,134)
Personnel expenses	17	(202,267)	(168,827)
Repairs and maintenance expenses		(19,646)	(28,329)
Materials and consumables		(8,400)	(21,116)
Other operational expenses	18	(64,455)	(31,156)
Total operating expenses		(2,020,039)	(2,576,283)
Operating result		180,665	41,536
Financial revenues		26,925	6,171
Financial expenses		(25,163)	(9,675)
Net finance result	19	1,762	(3,504)
Profit before income tax		182,427	38,032
Income tax	13	(18,346)	(6,421)
Result for the year from continuing operations		164,081	31,611
Profit of the period			
Attributable to:			
Owners of the Group		164,081	31,611
Non-controlling interests		-	-
Basic and diluted earnings per share (lei/share)		2.24	0.43

The attached consolidated financial statements were signed by the Company's management on 10 august 2023:

Directorate,

**Ștefăniță
MUNTEANU**

Directorate
Chairman

**Cătălin-Constantin
NADOLU**

Directorate Member

**Bogdan
TONCESCU**

Directorate
Member

**Florin-Cristian
TĂTARU**

Directorate
Member

Ana-Iuliana DINU
Director, Economic-Financial Direction

Cristiana ZÎRNOVAN
Manager, Budget and Managerial Reporting
Department

NPG TRANSELECTRICA SA
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF JUNE 30, 2023
(All amounts are presented in thousand RON, unless otherwise indicated)

	Share capital	Share premium	Legal reserve	Revaluation reserves	Other reserve	Retained result	Attributable to the group	Minority interests	Total
Balance on January 1, 2023	733,031	49,843	146,606	734,233	39,351	2,201,628	3,904,692	-	3,904,692
Comprehensive result of the period	-	-	-	-	-	-	-	-	-
Result of the period	-	-	-	-	-	164,081	164,081	-	164,081
Other comprehensive revenue items	-	-	-	-	-	-	-	-	-
Recognising the actuarial loss/profit of the benefit plan	-	-	-	-	-	-	-	-	-
Surplus from revaluation of tangible assets	-	-	-	-	-	-	-	-	-
Liability regarding deferred tax associated to the revaluation reserve	-	-	-	-	-	-	-	-	-
Total other comprehensive revenue items	-	-	-	-	-	-	-	-	-
Total comprehensive result of the period	-	-	-	-	-	164,081	164,081	-	164,081
Legal reserve indexation	-	-	-	-	-	-	-	-	-
Transfer of revaluation reserves into retained result	-	-	-	(32,878)	-	32,878	-	-	-
Minority interests from participation	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	(4,414)	(4,414)	-	(4,414)
Total other items	-	-	-	(32,878)	-	28,464	(4,414)	-	(4,414)
Derecognition of assets like public domain	-	-	-	-	-	-	-	-	-
Subsidies associated to public domain assets	-	-	-	-	60,803	-	60,803	-	60,803
Other reserves	-	-	-	-	-	-	-	-	-
Dividends distribution	-	-	-	-	-	(52,045)	(52,045)	-	(52,045)
Total transactions with owners	-	-	-	-	60,803	(52,045)	8,757	-	8,757
Balance on June 30, 2023	733,031	49,843	146,606	701,355	100,154	2,342,128	4,073,117	-	4,073,117

NPG TRANSELECTRICA SA
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF JUNE 30, 2023
(All amounts are presented in thousand RON, unless otherwise indicated)

	Share capital	Share premium	Legal reserve	Revaluation reserves	Other reserve	Retained result	Attributable to the group	Minority interests	Total
Balance on January 1, 2022	733,031	49,843	137,927	801,800	31,186	1,631,074	3,384,861	-	3,384,861
Comprehensive result of the period									
Result of the period	-	-	-	-	-	521,633	521,633	-	521,633
Other comprehensive revenue items	-	-	-	-	-	-	-	-	-
Recognising the actuarial loss/profit of the benefit plan	-	-	-	-	-	(10,575)	(10,575)	-	(10,575)
Surplus from revaluation of tangible assets	-	-	-	-	-	-	-	-	-
Liability regarding deferred tax associated to the revaluation reserve	-	-	-	-	-	-	-	-	-
Total other comprehensive revenue items	-	-	-	-	-	(10,575)	(10,575)	-	(10,575)
Total comprehensive result of the period	-	-	-	-	-	511,058	511,058	-	511,058
Legal reserve indexation	-	-	8,679	-	-	(8,679)	-	-	-
Transfer of revaluation reserves into retained result	-	-	-	(67,567)	-	67,567	-	-	-
Minority interests from participation	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	1,162	1,162	-	1,162
Total other items	-	-	8,679	(67,567)	-	60,050	1,162	-	1,162
Derecognition of assets like public domain	-	-	-	-	-	-	-	-	-
Subsidies associated to public domain assets	-	-	-	-	8,165	-	8,165	-	8,165
Other reserves	-	-	-	-	-	-	-	-	-
Dividends distribution	-	-	-	-	-	(554)	(554)	-	(554)
Total transactions with owners	-	-	-	-	8,165	(554)	7,611	-	7,611
Balance on December 31, 2022	733,031	49,843	146,606	734,233	39,351	2,201,628	3,904,692	-	3,904,692

NPG TRANSELECTRICA SA
CONSOLIDATED STATEMENT OF CASH FLOWS AS OF JUNE 30, 2023
(All amounts are expressed in thousand LEI, unless otherwise provided)

	30 June 2023	30 June 2022
Cash flows from operational activities		
Result of the period	164,081	31,611
Adjustments for:		
Income tax expense	18,346	6,421
Amortisement expense	170,310	135,134
Expenses with adjustments for trade receivables impairment	953	1,258
Revenues from reversal of adjustments for trade receivables impairment	(944)	(797)
Losses from various debtors	17	-
Net revenues with adjustments for various debtors impairment	(89)	9,955
Net expenditures with adjustments for inventories impairment	(791)	185
Net profit/ loss on sale of tangible assets	(936)	37
Net expenditures on adjustments of value regarding tangible assets	(1,627)	102
Expenses/Revenues regarding provisions for risks and expenses, net	(4,428)	(13,406)
Interest expense, interest revenue and unrealised exchange rate gains	(1,048)	3,636
Cash flows before changes to working capital	343,843	174,135
Changes in:		
Inventories	(9,477)	(838)
Clients and assimilated accounts	1,761,303	59,567
Trade payables and other liabilities	(1,740,617)	(313,428)
Other taxes and social insurance liabilities	(544)	(5,346)
Deferred revenues	41,432	2,627
Cash flows from operational activities	395,941	(83,283)
Paid interests	(2,228)	(4,843)
Paid income tax	(21,469)	(545)
Net cash generated from operational activities	372,244	(88,671)
Cash flows from the investment activity		
Acquisition of tangible and intangible assets	(187,405)	(176,255)
Participation titles held in SELENE CC Societe Anonyme	242	-
Proceeds from EC non-reimbursable financing	55,750	1,999
Received Interests	2,694	642
Proceeds from sale of tangible assets	1,772	12
Dividends received/paid	1,204	1,535
Net cash used in the investment activity	(125,743)	(172,066)

The attached notes are integrant part of these consolidated interim financial statements

NPG TRANSELECTRICA SA
CONSOLIDATED STATEMENT OF CASH FLOWS AS OF JUNE 30, 2023
(All amounts are expressed in thousand LEI, unless otherwise provided)

	30 June 2023	30 June 2022
Cash flows used in financing activities		
Repayments of non-current borrowings	(11,897)	(11,928)
Use of working capital credit line	-	132,311
Use of credit line Smart	5,100	6,568
Repayments of current borrowings	(67,618)	0
Building lease payments	(5,775)	(5,672)
Dividends paid	(13)	(611)
Net cash used in financing activities	(80,203)	120,668
Cash and cash equivalents as at January 1 st	333,681	264,656
Net increase/decrease in cash and cash equivalents	166,298	(140,069)
Cash and cash equivalents at the end of the period	499,979	124,586

The attached notes are integrant part of these consolidated interim financial statements

1. DESCRIPTION OF ACTIVITIES AND GENERAL INFORMATION

The main activity of CNTEE Transelectrica SA ("Company") and of its subsidiaries (called with the Company, "Group") consists of: provision of electricity transmission service and system service, operator of the balancing market, administrator of the bonus support scheme, other related activities. These activities are carried out in accordance with the provisions of the operating license no. 161/2000 issued by ANRE, updated by ANRE Decision no. 1450/14.06.2023, of the General Conditions associated with the license approved by ANRE Order no. 104/2014, with subsequent amendments and additions and the final certification of the Company as a transport and system operator of the National Electric Power System according to the ownership unbundling model by ANRE Order no. 164/07.12.2015.

The address of the registered office is Strada Olteni nr. 2 – 4 sector 3, București, România. Currently, the activity of the Company's executive is carried out at the registered office in Strada Olteni nr. 2-4 sector 3, Bucharest.

The Group's consolidated financial statements as of June 30, 2023 drawn up in accordance with The International Financial Reporting Standards adopted by the European Union are available at the Company's registered office and on the Company's website.

The Group's consolidated financial statements drawn up on June 30, 2023 are not audited.

These Consolidated Financial Statements elaborated as of and for the financial year ended on June 30, 2023, include the financial statements of the parent Company and of its subsidiaries Smart SA and Teletrans SA, jointly called the "Group".

GROUP STRUCTURE

The main Group subsidiaries included in the consolidation and the percentage of shares held by the Company are provided below:

Entity	Country of origin	30 June 2023	31 December 2022
		% of shares	% of shares
SMART SA	Romania	100	100
TELETRANS SA	Romania	100	100

SMART SA

The subsidiary Societatea Comercială pentru Servicii de Mentenanță a Rețelei Electrice de Transport "SMART" SA was established in 2001, by GD no.710/19.07.2001 through the reorganization of some activities within Transelectrica

The SMART SA company has registered office in B-dul Magheru, nr. 33, sector 1, Bucharest and with its headquarters at the work point in B-dul Gheorghe Șincai, nr. 3, Cladirea "Formenerg", et. 1, sector 4, Bucharest.

The main activities of the subsidiary are overhaul and repair of primary electrical network equipment and appliances (so that RET installations operate safely at the performance level required by the licence), troubleshooting of electrical installation incidents, provision of energy services, energy services for the energy system and micro-production of electrical equipment. The company has 8 branches without legal personality.

The mission for which SMART SA was established was and still is to ensure preventive maintenance, special works and corrective maintenance of the Transmission Grid (RET), based on Transelectrica's primary objective: to ensure the safe and stable transmission of electricity in the national transmission grid.

The branch offers professional services at a high level of performance, i.e. maintenance, repairs, expertise, consultancy for:

- Low, medium, high and extra high voltage switchgear and equipment - up to and including 750kV,
- Equipment and circuits for protection, automation, measurement, command - control,
- Transformers and autotransformers of all powers and voltages,
- Overhead and cable power lines of all voltage levels.

The subscribed and paid-up share capital as at 30.06.2023 is 38,529, Transelectrica being the sole

shareholder. The results of the SMART subsidiary are consolidated with the financial results of the Company. SMART shares are 100% owned by Transelectrica.

TELETRANS SA

The subsidiary TELETRANS SA was established by the AGA Resolution no. 13/04.12.2002 of Transelectrica, based on the Law no. 31/1990 and on the Ministry of Industry and Trade Orders no. 3098 and no. 3101 dated 23.10.2002 and is the provider of specific telecommunications and information technology services for the operational and management of Transelectrica, having as its main activity the provision of specific telecommunications services. At the same time, the Subsidiary has the possibility to market specific services on the liberalised communications market in Romania.

The company TELETRANS SA has registered office in B-dul Hristo-Botev, nr. 16 – 18, sector 3, Bucharest and with headquarters at the work point in Str. Stelea Spătarul nr. 12, sector 3, Bucharest.

The subsidiary has a high level of expertise in areas of profound uniqueness in systems and process management in the energy industry.

On the basis of the Articles of Association and the applicable regulations, Teletrans holds the ANCOM certificate of provider of electronic communications networks or services since 2002 (O.U.G. no. 679/2002), which entitles it to provide the following electronic communications services:

- Public electronic communications networks (from 11.11.2004);
- Electronic communications services to the public: (i) Leased line services and (ii) Electronic communications services other than telephony and leased lines (from 01.07.2003);
- Private electronic communications networks and services (from 15.01.2003).
- TELETRANS personnel also have certifications relevant to the operation and administration of IT&C systems dedicated to critical infrastructures.

TELETRANS uses a fibre optic network built in reliable OPGW technology with access points in 110 localities as well as cross-border links with Hungary, Bulgaria and Serbia and provides EMS/SCADA system integration services for renewable energy producers and new control systems in upgraded stations.

The services provided by Teletrans were mainly IT/Tc services to Transelectrica, maintenance services of the local metering system at the level of the Company's electricity stations, maintenance services of the telecontribution system related to the wholesale electricity market and telecommunication services through the marketing of the surplus capacity existing in the fibre optic communication infrastructure.

The subscribed and paid-up share capital as at 30.06.2023 is 6,874, Transelectrica being the sole shareholder. The results of the subsidiary Teletrans are consolidated with the financial results of the Company. TELETRANS shares are 100% owned by Transelectrica.

Group mission

The Group's mission is to ensure the safety and security in the operation of the National Energy System (SEN), in compliance with the norms and performances stipulated by the technical regulations in force and to provide a public service for all users of the electric transport networks, in conditions of transparency, non-discrimination and equidistance for all market participants.

2. BASES OF ELABORATION

Statement of conformity

The Consolidated Interim Financial Statements are presented in accordance with the requirements of IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of financial statements in accordance with International Financial Reporting Standards ("IFRS") and should be read together with the Consolidated Financial Statements prepared as of and for the financial year ended 31 December 2022. However, certain explanatory notes are included for to explain the events and transactions that are significant for the understanding of changes in the financial position and performance of the Group since the last consolidated annual financial statements as of and for the financial year ended 31 December 2022.

Utilisation of estimations and reasonings

The significant judgments used by management in applying the Company's accounting policies and the

main sources of uncertainty relating to estimates were the same as those applied to the consolidated financial statements as of and for the financial year ended December 31, 2022.

3. ACCOUNTING POLICIES

The accounting policies applied in these consolidated interim financial statements are the same as those applied in the Company's separate financial statements as of and for the financial ended on June 30, 2023.

Bases of consolidation

(i) Subsidiaries

The accounting policies provided in detail below have been consistently applied in all time intervals submitted in these financial statements and have been consistently applied by Group entities, except for the issues shown in note 3 letter (y), which provide the changes into accounting policies.

At the date of this report Transelectrica has six subsidiaries, Romanian legal entities, organized as joint-stock companies, of which it is the sole shareholder in the following: Formenerg, Teletrans, Smart, Icemenerg Service (subsidiary which at the date of this report is deregistered with the ONRC), Icemenerg SA (Institutul de Cercetări e Modernizări Energetice ICEMENERG SA - subsidiary which at the date of this report is deregistered with the ONRC).

Among the Company's subsidiaries, the Smart and Teletrans subsidiaries are included in the Group's financial consolidation perimeter.

They have not been taken into account in the preparation of the consolidated financial statements:

- subsidiary Formenerg as according to the applicable accounting legislation, the impact of its activity is considered immaterial for consolidation purposes,
- the subsidiary OPCOM as the management is carried out according to the regulations set by ANRE and Transelectrica does not exercise effective direct control over its decision-making mechanisms.

The FORMENERG subsidiary is a company whose main activity is the initial and continuous professional training, in all fields of activity, of personnel working in the energy sector in all sectors of the national economy and other beneficiaries, as well as hotel services, rental services and event organisation services..

FORMENERG SA was established following the Decision number 33/19.11.2001 of the General Meeting of Shareholders - "Transelectrica" S.A., by outsourcing the activity of the Branch for Training and Development of Energy Sector Personnel. The share capital on 30.06.2023 is 1,948, fully subscribed, represented by 194,842 shares with a nominal value of 10 lei each. FORMENERG shares are 100% owned by Transelectrica.

Subsidiary ICEMENERG SERVICE SA focused on the design, manufacture and distribution of metering, management and control instrumentation meant for the power system, having ISO 9001 and IQ NET certification by SRAC ROMANIA, ANRE licensed. On 09.06.2017 Bucharest Tribunal, Section VII Civil, decided the initiation of bankruptcy by simplified procedure of debtor ICEMENERG SERVICE SA, designating Solvendi SPRL as provisional judiciary liquidator.

On 27.04.2021 by address no. 18759, the Official Receiver of the ICEMENERG Service SA Branch informed that on 23.04.2021, following the tender that took place, the assets of the ICEMENERG Service SA Branch, both movable and immovable, were capitalized in block, the buyer being Portland Trust Developements Five SRL.

In file no. 18051/3/2017, according to the Insolvency Procedures Report no. 9152/26.05.2022, the Bucharest Court – VIIth Civil Section by civil sentence no. 2429 approved the final report of the trustee in bankruptcy, and based on art. 175 paragraph 2 of Law no. 85/2014 on insolvency prevention procedures and insolvency, closed the insolvency procedure against the debtor the Branch Company "Icemenerg-Service" SA by deleting it from the Bucharest Trade Register. The sentence was not communicated to the company until 30.06.2023.

The OPCOM subsidiary was set up on the basis of GD no. 627/2000 on the reorganisation of the National Electricity Company SA, as a subsidiary whose sole shareholder was Transelectrica.

In accordance with the provisions of the primary and secondary legislation in force, the Operator of the

Electricity and Natural Gas Market "OPCOM" S.A. performs the role of administrator of the electricity market, providing an organized, viable and efficient framework for the conduct of commercial transactions in the wholesale electricity market and carries out activities of administration of the centralized markets in the natural gas sector, under conditions of consistency, fairness, objectivity, independence, fairness, transparency and non-discrimination.

The fully subscribed share capital of OPCOM as at 30.06.2023 is 31,366, Transelectrica being the majority shareholder at that date. The shareholder structure is as follows:

- NPG Transelectrica – 97,84%
- The Romanian State through the General Secretariat of the Government – 2,16%.

Transelectrica does not exercise direct actual control over OPCOM's decision-making mechanisms, since it is administered according to regulations established by ANRE. The elements provided in the IFRS International Standard 10 are specified because they need to be taken into consideration when establishing the exercise of control. Thus, in accordance with IFRS 10 an investor controls an entity if and only if it holds all the following items:

- a. Power over the entity where the investment is
- b. Exposure to or rights on the variable productivity from its involvement in the entity invested into
- c. Capacity to use its power over the entity invested into to impact the investor's profitability.

(ii) Loss of control

When losing control the Group derecognises the subsidiary's assets and liabilities, any interest that is not controlling other components of own capitals attributable to the subsidiary. Any surplus or deficit resulting from loss of control is recognised in the profit or loss account. If the Group maintains any interest in its former subsidiary, then such interest is appraised at fair value from the date when control is lost onward. Subsequently such interest is accounted by the equivalence method, or as available financial asset for sale, depending on the extent of influence kept.

(iii) Transactions eliminated from consolidation

Balances and transactions performed within the Group and any unrealised revenues or expenses resulting from Group transactions are removed when elaborating the consolidated financial statements. Unrealised profits associated to transactions with affiliated entities and accounted by the equivalence method are removed as counterpart of the investment in the affiliated entity, to the extent of the Group's interest for associated entities. Unrealised losses are eliminated similarly to unrealised gains, however only to the extent in which there are no value depreciation indexes

4. TANGIBLE , INTANGIBLE AND FINANCIAL ASSETS

a) Tangible assets

The increase in the total value of tangible assets on 30 June 2023 compared to 31 December 2022 was determined by the increase in the value of tangible assets in progress concurrent with the recording of depreciation of tangible assets.

The value of **tangible assets in progress** in the first half of 2023 was mainly determined by the completion of investment works in high-voltage power stations and lines, as follows:

- 400 kV d.c. Gutinaș - Smârdan OHL - 47.605;
- Connection of 400 kV Isaccea - Varna and 400 kV Isaccea - Dobrudja OHL to 400 kV South Medgidia Station Phase II - 400 kV d.c. OHL Connections to South Medgidia Station - 22.197;
- Upgrading of 220/110/20 kV Arefu Station - 16.620;
- Refurbishment of 220/110 kV Filești Station - 15.382;
- Switching to 400 kV voltage of the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis - Phase I - 400 kV line s.c. Porțile de Fier - (Anina) - Reșița - 14.436;
- Increasing the transmission capacity of the 220 kV Ștejaru - Gheorgheni - Fântânele - 14,076;
- Switching to 400 kV voltage of the Porțile de Fier - Resita - Timisoara - Sacălaz - Arad axis - Phase I - 400/220/110 kV Resita Station - 11.323;
- Relocation of 220 kV and 400 kV networks for the construction of the Braila-Galati express road - 8,551;
- Relocation of 220 kV networks for Bucharest Ring Road km 0+000 - km 100+900 - 7.628;
- Metering and data management system for electricity metering on the wholesale market - 7,447;
- 400 kV d.c. Cernavodă-Stâlpu OHL and connection in Gura Ialomiței Station - 6.676;
- Refurbishment of 220/110/20 kV Baru Mare Station - 6.582;
- Refurbishment of 400/110/20 kV Smârdan Station - 4.047;
- Motor vehicles - 3,757;
- VRF/VRV air-conditioning systems for the office premises of UnO DEN located at 16-18 Hristo Botev Boulevard - 2.500;
- Diversion of 220 kV OHL Ampoi - Alba Iulia area - 2.353;
- Connection of Isaccea - Varna 400 kV OHL and Isaccea - Dobrudja OHL in Medgidia South 400 kV Station - 1.604;
- Upgrading of 220/110 kV Dumbrava Station - 1.521;
- Connection to public interest electrical installations managed by CNTEE Transelectrica SA, in the 220/110/20 kV Vetis Station, of the production site CEF Satu Mare 1 (65.018 MW), located in Satu Mare, Satu Mare County - 1.359;
- Computing - Hardware and Software - Laptop PC - 1.180.

In the first half of 2023, the largest **transfers from tangible assets in progress to tangible assets**, amounting to **532,076**, are mainly represented by the commissioning of investment objectives, of which we list the most significant:

- 400 kV d.c. Cernavodă-Stâlpu OHL and connection in Gura Ialomiței Station - 353.677;
- Upgrading of 400/220/110/20 kV Munteni Station - 47.514;
- Upgrading of 220/110/20 kV Arefu Station - 39.675;
- Refurbishment of 220/110/20 kV Ungheni Station - 31.761;
- Upgrading of 220/110 kV Dumbrava Station - 20.978;

NPG TRANSELECTRICA SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2023
(All amounts are in thousand LEI, unless stated otherwise)

- Extension of 400 kV Cernavodă Station - Phase I+II, Replacement of 2 compensation coils, Connection of new lines - 12.501;
- Extension of 400 kV Gura Ialomiței Station with two cells: 400 kV OHL Cernavodă 2 and 3 - 6.792;
- 220 kV double circuit Ostrovu Mare OHL - RET (H.CA no. 17/2007) - 4.210;
- Motor vehicles - 3,757;
- VRF/VRV air-conditioning systems for the office premises of UnO DEN located at 16-18 Hristo Botev Boulevard - 2.500;
- 110 kV, 220 kV and 400 kV mobile switchgear - 1,991;
- Replacement of circuit breakers in electrical substations - Phase II - 1,358;
- Computing - Hardware and Software - Laptop PC - 1.138;
- Metering and data management system for electricity metering on the wholesale market - 566;
- Upgrading of 220/110/20 kV Vetis Station - primary equipment - 564;
- Professional air conditioners for power supply rooms, telecommunications rooms and control rooms in DET-urile Bacău, Cluj, Craiova and Timișoara - 513;
- Completion of the communications infrastructure required to operate the Company's private cloud hardware structure to ensure the implementation and operation of the new Balancing Market platform - DAMAS - 415;
- Replacement of batteries 1 and 2 - 220 V DC 600 AH in the 400/220 kV Brazi West Station - 406;
- Remedy accidental event on the 400 kV Constanta North - Tariverde 400 kV line, terminal 81, by installing a PAS-U 400 pole - 277;
- Air conditioners in the electro supply room of UnO DEN located at 16-18 Hristo Botev Boulevard - 242;
- 220 V accumulator battery for 220/110/20 kV Florești Station - 212;
- 220 V accumulator battery for 220/110 kV Tihău Station - 197;
- Purchase and installation of air-conditioning units in UTT Sibiu facilities - 194;
- Collection of rainwater passing through the oil separators of the 400/220/110/20 kV Bradu Station - 183;
- Communication network separation equipment - 135.

In the first half of 2023, there was an **outflow from tangible assets in progress** through the recognition on the cost of the Company's operating expenses for the project "Consolidation, upgrade and extension of the CNTEE Transelectrica SA - Magheru office" in the amount of 1,627.

The balance of **tangible assets in progress** on 30 June 2023, amounting to **715,103**, is represented by projects in progress, the most significant of which are listed below:

- 400 kV d.c. Gutinaș - Smârdan OHL - 174.046;
- Switching to 400 kV voltage of the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis - Phase I - 400 kV line s.c. Porțile de Fier - (Anina) - Reșița - 130.016;
- Connection of CEE 300 MW Ivești, CEE 88 MW Fălciu 1 and CEE 18 MW Fălciu 2 to the TSO through the new (400)/220/110 kV Banca Station - 46.885;
- Refurbishment of 400/110/20 kV Smârdan Station -32.049;
- Switching to 400 kV voltage of the Porțile de Fier - Resita - Timisoara - Sacălaz - Arad axis - Phase I - 400/220/110 kV Resita Station - 31.941;
- Increasing the transmission capacity of the 220kV Ștejaru - Gheorgheni - Fântânele OHL - 30.467;
- Refurbishment of 220/110/20 kV Baru Mare Station - 27.426;

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- Connection of 400 kV Isaccea - Varna and 400 kV Isaccea - Dobrudja OHL to 400 kV South Medgidia Station Phase II - 400 kV OHL d.c. Connections at South Medgidia Station - 24.494;
- Upgrading of 220/110/20 kV Arefu Station - 20.413;
- Refurbishment of 220/110 kV Filești Station -20.335;
- Refurbishment of 110 kV Medgidia South Station - 13.764;
- Extension of 400 kV Gura Ialomiței Station with two cells: 400 kV OHL Cernavodă 2 and 3 - 12.532;
- Metering and data management system for electricity metering on the wholesale market - 9.511;
- 400 kV Stâlpu station - 9.409;
- 110 kV, 220 kV and 400 kV mobile switchgear - 9,290;
- Refurbishment of the 110 kV Timisoara Station and the Switching to 400 kV of the Porțile de Fier - Anina - Resița - Timisoara - Săcălaz - Arad axis, stage II: 400 kV Timisoara Station - 8.901;
- Relocation of 220 kV and 400 kV networks for the construction of the Braila-Galati express road - 8,551;
- 400 kV Gădălin - Suceava OHL, including interconnection to SEN (H.CA no. 7/08.07.2010) - 8.467;
- Purchase and installation of 21 monitoring systems for transformer units in CNTEE Transelectrica SA stations - 8.301;
- Relocation of 220 kV networks for Bucharest Ring Road km 0+000 - km 100+900 - 7.628;
- Installation of AT2 400 MVA, 400/231/22 kV as well as related cubicles in Iernut Station and upgrade of the control command system of 400/220/110/6 kV Iernut Station - 7.391;
- 220 kV OHL diversion Ampoi - Alba Iulia area - 5.783;
- Site clearance and coexistence conditions between the objective "Suspension bridge over the Danube in the Braila area" belonging to CNAIR SA and the electricity networks managed by CNTEE Transelectrica SA - 4.911;
- Integrated security system at power stations, phase IV - 4.817;
- Upgrading of 110 kV and 400 (220 kV) installations at Focșani West Station - 4,510;
- 400 kV Suceava - Balti line, for the project portion on Romanian territory - 4,439;
- Switching to 400 kV voltage of the Porțile de Fier - Resita - Timișoara - Săcălaz - Arad axis, phase II, 400 kV d.c. Resita - Timișoara - Săcălaz - 3.375;
- Extension with new functionalities of the computerized access control and record system in the CNTEE Transelectrica SA objectives - 3.201;
- Refurbishment of 400/110 kV Pelicanu Transformer Substation - 2.946;
- Connection to the national grid of CEE 136 MW Platonești, jud. Ialomița, by building a 110 kV cell in the 400/110 kV Gura Ialomiței power station - 2.889;
- Connection of Isaccea - Varna 400 kV OHL and Isaccea - Dobrudja OHL in Medgidia South 400 kV Station - 2.882;
- Integrated security system at power stations, phase III (H.CA no. 2/2008) - 2.798;
- Pilot Project - Refurbishment of the 220/110/20 kV Alba Iulia substation in the concept of a digital substation - 2.621;
- 110 kV Cetate 1 and 2 OHL diversion in the vicinity of 110/20/6 kV Ostrovul Mare Station - 2.578;
- Connection to the RET of CEE Dumești 99 MW and CEE Românești 30 MW, Iasi county, by building a 110 kV line cell in the 220/110 kV FAI - 2.546 power station;
- 220 kV double circuit Ostrovu Mare OHL - RET (H.CA nr. 17/2007) - 1.786;
- Centre for research and development of live working technologies (LST) and rapid intervention in SEN - phase II - 1.534;

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- Provisional works for the 220kV Lacu Sărat-Filești OHL, to ensure the conditions for the execution of the relocation of utilities, by clearing the site and achieving the conditions for coexistence between "Suspension Bridge over the Danube in the Braila area - 1.528.

b) Intangible assets

Intangible assets in progress

The balance of **intangible assets in progress** on 30 June 2023, in the amount of **9,451 lei**, is represented by ongoing projects, the most significant of which are listed below:

- Replacement of hardware components, upgrade and development of specific applications of the Balancing Market Platform - II DAMAS, Component Purchase of migration services and upgrade of specific applications of the Balancing Market - 7.607;
- MARI platform development - 1.467;
- PICASSO platform development - 376.

The largest **transfers from intangible assets in progress to intangible assets** are represented by:

- GE License - Software module for capacity calculations based on energy flows - 247;
- UTP License - 30.

In the first half of 2023, there was **an outflow from intangible assets in progress** through recognition on the Company's operating budgets for the project "Implementation of an Electronic Archiving and Document Management System within CNTEE Transelectrica SA" in the amount of 5,474 lei.

Intangible fixed assets - Additional CPT

As of 30 September 2022, the Company shall apply the provisions of GEO no. 119/2022 for the amendment and completion of GEO no. 27/2022 and approved by Law no. 357/13.12.2022, whereby the additional costs with the purchase of electricity made in the period from 1 January 2022 to 31 March 2025 in order to cover its own technological consumption and technological consumption, respectively, compared to the costs included in the regulated tariffs, shall be capitalized on a quarterly basis. Thus, capitalized costs are amortized over a period of 5 years from the date of capitalization and are remunerated at 50% of the regulated rate of return approved by the National Energy Regulatory Authority applicable over the amortization period of those costs and are recognized as a separate component.

For the year 2022, the Company has recorded revenue in the amount of 338,526,677 representing additional CPT calculated as the difference between the net cost of CPT acquisition and the cost of CPT included in the regulatory tariff and a related depreciation expense calculated up to June 30, 2023 in the amount of 47,840.

For the first half of 2023, there were no additional costs for the purchase of electricity to cover own technological consumption compared to the cost recognised in the tariff.

As at 30 June 2023, the carrying amount of the intangible asset resulting from the capitalisation of the additional CPT is 290,687.

c) Financial assets

The balance of financial assets on June 30, 2023, in the amount of 40,664, is mainly represented by:

- the net value of shares held by the Company (36,101);
- securities for the temporary occupation of the land, calculated and retained in accordance with Article 39(2) of Regulation (EC) No. (1), par. (2) and par. (5) of Law No 46/2008 on the Forestry Code, for the implementation of the investment objective of the 400 kV Reșița - Pancevo (Serbia) line in the amount of 4,254.

The decrease in the value of financial assets is mainly represented by the sale of shares held by the Company in SOUTHEAST ELECTRICITY NETWORK COORDINATION CENTER (SEleNe CC) SOCIETE ANONYME, at the same time as the receipt of the countervalue of 242.

With a view to the exit of Transelectrica from the shareholding of SELENE CC, a sale-purchase agreement of shares issued by SELENE CC was concluded between Transelectrica - as seller - and SELENE CC, IPTO (Greek TSO), ESO EAD (Bulgarian TSO), TERNA (Italian TSO) - as buyers. The contract has been registered in Transelectrica's internal records under number C245/2023.

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In the contract C245/2023 the monetary amount of 53,658 Euro was established as the sale-purchase value of the 50,000 shares held by Transelectrica in the capital of SELENE CC. The contract stipulated that the transfer of ownership of the shares held by Transelectrica to the purchasers takes place at the time of full payment by the purchasers to Transelectrica of the consideration for the shares which are the subject of the sale-purchase transaction.

On 08.02.2023, the amount mentioned was fully collected by Transelectrica from the buyers under the contract by bank transfer.

d) Assets relating to the usage rights of assets under leasing - buildings

Leasing buildings

Such assets represent the usage right for the assets the Company has leased in the Platinum Office Building, according to the provisions of IFRS 16 – Leasing Contracts.

Contract No C232 entered into force on 01.10.2020, valid for 5 years and amounting to 9,000,000 Euro (excluding VAT).

As at 30 June 2023, the book value of the right of use of the premises leased by the Company in the Platinum office building is 17,893.

For this contract, the Company pays a monthly quantum of 16.67 euro/sqm (excluding VAT) for the rental of office space, resulting in an annual amount of approx. 1.8 million Euros.

Smart SA has entered into a lease agreement consisting of the lease of an office building, with an area of 449.75 sqm, the Forenerg building in Gheorghe Șincai street no. 3, with a value of 53,970 euros/year in the amount of 10 euros/sqm representing 4,497.5 euros/month.

eletrans SA has concluded a lease agreement consisting of the lease of the building, related land and immovable yard, with an estimated area of 1080 sq.m. for rent and a yard for exclusive use of 196 sq.m. located in Stelea Spătaru street no. 12, representing 8,600 euros/month.

On June 30, 2023, the accounting value of the right to use the spaces rented by the Group is in the amount of 19,369.

Car leasing

SMART SA has concluded a financial leasing contract, and the object of the lease is 18 new vehicles. The leasing period is 60 months at a leasing rate of 5,656.82 eur/month. On June 30, the accounting value of the right to use motor vehicles is in the amount of 1,480.

5. TRADE AND OTHER RECEIVABLES

At 30 June 2023 and 31 December 2022, trade and other receivables were as follows:

	<u>30 june 2023</u>	<u>31 december 2022</u>
Trade receivables	1.316.772	2.397.945
Other receivables	144.344	170.993
Down payments to suppliers	80.035	697.081
VAT to recover	255.498	292.265
Adjustments for impairment of uncertain trade receivables	(138.522)	(138.513)
Adjustments for impairment of other uncertain receivables	(76.702)	(76.919)
Total	<u>1.581.425</u>	<u>3.342.852</u>

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The structure of trade receivables is the following:

	<u>30 june 2023</u>	<u>31 december 2022</u>
Clients on the electricity market, of which:	1.309.552	2.392.071
- Clients - operational activities	882.287	1.696.470
- Clients - balancing market	324.242	564.107
- Clients - bonus type support scheme to promote high efficiency cogeneration	103.022	131.493
Clients from other activities	7.221	5.874
Total trade receivables	<u>1.316.772</u>	<u>2.397.945</u>

- CNTEE Transelectrica SA carries out its operational activity on the basis of the Operating License no. 161/2000 issued by ANRE, updated by the Decision of the President of ANRE no. 1450/14.06.2023, for the provision of the electricity transmission service, for the provision of the system service and for the administration of the balancing market.

As at 30 June 2023, outstanding clients from operating activities decreased compared to 31 December 2022 mainly due to lower energy consumption in the first half of 2023 compared to the second half of 2022.

The decrease in the volume of transactions in the balancing market in the first half of 2023 compared to the second half of 2022 also led to a decrease in the balance of clients in contracts concluded for this type of activity.

The main clients in total trade receivables are represented by: MAVIR, IBEX, Ciga Energy SA, Hidroelectrica, Cinta Energy SA, RAAN, Electrica Furnizare SA, JAO, OPCOM, Enel Energie SA. Their share is 67.73% of total trade receivables.

- CNTEE Transelectrica SA carries out the activities under the bonus type support scheme to promote high-efficiency cogeneration in the capacity of support scheme administrator, in accordance with the provisions of HGR no. 1215/2009 with subsequent additions and amendments, *"the main attributions being the monthly collection of the contribution for cogeneration and the monthly payment of bonuses"*

As at 30 June 2023, the Company records receivables from the bonus type support scheme for the promotion of high-efficiency cogeneration of approximately 8% (5% as at 31 December 2022) of total trade receivables.

Clients in the bonus-type support scheme for the promotion of high-efficiency cogeneration show a decrease in receivables on 30 June 2023, mainly due to a decrease in the amount invoiced for the collection of the monthly contribution.

As at 30 June 2023, the Company records receivables of 103,022, represented by invoices issued in relation to the bonus type support scheme for the promotion of high efficiency cogeneration, of which:

- overcompensation for the period 2011-2013 in the amount of 76,702, respectively from RAAN - 63,467 and CET Govora SA - 13,235;
- undue bonus for 2014 amounting to 3,915, respectively from RAAN - 1,981, CET Govora - 1,934;
- undue bonus for 2015 amounting to 563,899, respectively from CET Govora - 534, Interagro - 30;
- undue bonus for 2020 amounting to 522 from Donau Chem;
- uncollected contribution for cogeneration from electricity consumers suppliers, in the amount of 20.966, respectively from: Transenergo Com - 5.882, Petprod - 4.391, Romenergy Industry - 2.681, RAAN - 2.386, UGM Energy - 1.504, CET Govora - 901, KDF Energy - 784 and others.

Up to the date of this financial report, the Company has collected all the receivables related to over-compensated activities on under the support scheme for 2022 (in the amount of 34,134) from CET Govora (13,718) and Electrocentrale București (20.417), as well as the amount of 1,817 from the undue bonus established by ANRE Decisions for 2022, from the following producers: Bepco SRL, CET Govora, CET Grivița, COMPA SA, Electrocentrale București, Electroulaj SA, and Soceram SA.

In order to extinguish receivables generated by overcompensation and undue bonus in previous years, the Company requested the generators qualified under the support scheme to make mutual compensations. In case of generators that did not agree with this manner to extinguish mutual

receivables and liabilities (RAAN, CET Govora) the Company has applied and further applies the provisions of article 17 para 5 from Order 116/2013 of ANRE President approving the Regulation establishing the collection mode of the contribution for high-efficiency cogeneration and the bonus payment for the electricity generated under high-efficiency cogeneration: "in case the generator did not make the payment in full to the support scheme administrator for its payment obligations resulted in accordance with the provisions of this Regulation, the support scheme administrator pays to the producer the difference between the producer invoices and its payment obligations under the support scheme, with explicit mention of the respective amounts on the payment document" and withheld from payment the due amounts under the respective support scheme.

- File 9089/101/2013/a140 was registered on the docket of Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes pertaining to "claims in sum of 86,513", where the Company was claimant and the **Autonomous Authority for Nuclear Activities, RAAN** was the defendant.

The summons filed by Transelectrica SA requested compelling defendant RAAN to pay 86,513.

On 19.05.2016 Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes pronounced hearing conclusion and ordered as follows: "In accordance with article 413 pt. 1 Civil Procedural Code decides suspending the case until settlement of file 3014/2/2014 found on the docket of the High Court for Cassation and Justice. Appeal right is valid during the entire suspension term; pronounced on 19 May 2016 at public hearing"; hearing term on 06.06.2019. Mention should be made file 3014/2/2014 on the docket of the High Court for Cassation and Justice pertained to appeal in order to cancel ANRE Decision 743/28.03.2014, the parties being RAAN (claimant) and ANRE (defendant).

Mention should be also made the hearing conclusion of 18.09.2013 issued by Mehedinti Tribunal under file 9089/101/2013 pronounced opening the general insolvency procedure against debtor Autonomous Authority for Nuclear Activities RA (RAAN).

Sentence 387/20.03.2014 of Mehedinti Tribunal confirmed the reorganisation plan of debtor Autonomous Authority for Nuclear Activities, proposed by the judiciary administrator Tudor&Asociatii SPRL and voted by the General Assembly of Creditors according to the minutes of 28.02.2014.

By the intermediate ruling 10/28.01.2016 pronounced by Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes, the syndic judge decided initiating the debtor's bankruptcy procedure based on article 107 para 1 let. C of Law 85/2006, as well as breaking up the debtor and cancelling its administration right.

Ruling 563/14.06.2016 of the Appeal Court Craiova, Section II Civil denied the appeals filed against the intermediate ruling 10/28.01.2016 pronounced by Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes.

Once submitting the receivable statement under RAAN's bankruptcy procedure Transelectrica SA can resort to the provisions of article 52 from Law 85/2006, applicable to RAAN's bankruptcy procedure, provisions resumed in article 90 of Law 85/2014 on the creditor's right to invoke compensation for its receivables with its debtors to it, whenever the law-provided conditions for legal compensation are complied with on the procedure opening date. Transelectrica SA was recorded with 11,265 in the table of debtor RAAN, in the category of receivables resulting from the debtor's uninterrupted activity. The actual amount the Company requested was 89,361, but 78,096 were not registered in the preliminary receivable table because "such sum was not recorded as owed liability in RAAN's accounting books". Moreover, the judiciary liquidator considered the request to record 78,096 was made late since it pertained to 2011 - 2013, for which reason the receivable statement should have been submitted when the insolvency procedure began, namely on 18.09.2013.

Since only a part of the total amount requested by Transelectrica in quantum of 89,361 was registered and according to letter 4162/03.10.2016 whereby the judiciary liquidator notified us only 11,265 were recorded in the additional table in the receivables column resulting from the debtor's continued activity, and 78,096 were denied. We filed contestation to the Additional receivable table within the legal term.

On the hearing term 14.02.2019 Mehedinti Tribunal decided joining file 9089/101/2013/a152 and file 9089/101/2013/a140 (pertaining to claims – payment request). File judgment was postponed because the court deemed it useful for case settlement to submit Civil ruling 2969/26.09.2018, pronounced by the High Court for Cassation and Justice under file 3014/2/2014, pertaining to cancelling Decision 743/2014 of ANRE president.

Settlement of Mehedinti Tribunal: "It admits the exception of decline. It partly admits the main issue and associated contestation. It compels defendant RAAN to pay to claimant Transelectrica the amount of

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16,950 as liability accrued during the procedure, judging to record it in the creditors' table constituted against debtor RAAN. The other associated requests are denied. In accordance with article 453 para 2 from the Civil Procedural Code it compels the defendant to pay 1th Lei law court expenses to the claimant. Appeal right is granted. It was pronounced on 20.06.2019 at public hearing. Document: Ruling 163/2019 / 20.06.2019.

Transelectrica filed appeal within the legal term. The Appeal Court Craiova established the first hearing term on 30.10.2019. The appeal was denied as groundless. Transelectrica filed review request for contradictory decisions, registered under file 1711/54/2019, with hearing term on 26.03.2020 at the Appeal Court Craiova, which will refer the file to the High Court for Cassation and Justice for competent settlement.

On 26.03.2020, the hearing term was changed and the next one was set on 21.05.2020.

On 21.05.2020 the case was taken out of the docket with the following settlement: the exception of material incompetence of the Appeal Court Craiova was admitted and the decision was taken to refer the case to ICCJ, Administrative and Fiscal Disputes Section; Ruling 140/21.05.2020; term 03.02.2021.

On the 03.02.2021 hearing term ICCJ admitted the exception of tardive review request and did not pronounce on its inadmissibility.

There are four more files between RAAN and Transelectrica found under various judgment stages.

Under RAAN's bankruptcy file registered under number 9089/101/2013 Mehedinti Tribunal deferred the case on the terms 08.10.2020 and 04.02.2021. Settlement in brief: term was granted to continue the liquidation procedures, to represent the debtor's interests in the disputes found on the docket of law courts; to consolidate the creditors' table, to continue measures in view of recovering receivables and further public bids in order to capitalise the debtor's assets.

On the 14.10.2021 term the case was deferred and the settlement in brief was: "it granted term to continue the procedure, namely to capitalise the assets and carry out the other liquidation activities".

The case is adjourned to 10.02.2022, the summary decision being: for the conduct of the procedure, i.e. the recovery of assets, the collection of claims and the performance of other liquidation operations. the parties will be summoned by the BPI" and the next hearing is set for 02.06.2022.

The proceedings were continued at the hearing of 09.02.2023, when the court granted an adjournment until **15 June 2023** for the continuation of the proceedings, i.e. for the collection of claims, the valuation of assets and the performance of other liquidation operations.

The following hearing set in this case is **15.10.2023**

- CNTEE Transelectrica SA concluded with **CET Govora SA** an agreement to compensate and spread out the payment of amounts representing receivables from the 2011-2013 overcompensation and the 2014 undue bonus (Agreement C 135/30.06.2015 and Addendum 1/04.08.2015). The Agreement term was about 1 year (July 2015-August 2016) and it provided the Company's right to calculate and cash penalties during payment spread-out.

In accordance with such Agreement the Company's receivables collectable from CET Govora SA were compensated with its liabilities to CET Govora SA, represented by cogeneration bonus for May 2014 – October 2015 amounting to 40,508, withheld by applying the provisions of article 17 para 5 of ANRE President's Order 116/2013 and the Agreement provisions, in the amount of 40,508.

Since ANRE Decision 738/28.03.2014 which had determined the 2011-2013 overcompensation was suspended by court civil judgment 3185/27.11.2015 CET Govora SA had no longer complied with its obligations under the Agreement terms.

Beginning with 9 May 2016 the general insolvency procedure was initiated for CET Govora. In view of recovering the receivables accrued before opening the insolvency procedure the Company followed the specific procedures specified by the Insolvency Law 85/2014 and requested the court to admit its receivables, as per legal provisions. Taking into account the above, beginning with 9 May 2016 the Company ceased applying the provisions of article 17.5 from Order 116/2013 of ANRE President approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the bonus payment for electricity generated by high efficiency cogeneration and paid monthly the cogeneration bonus to CET Govora.

Civil ruling 2430/05.10.2016 of the High Court of Cassation and Justice admitted the appeal filed by

ANRE against civil ruling 3185/27.11.2015, partly cancelled the sentence appealed against and denied the suspension request of CET Govora, such decision being final. Thus, beginning with 05.10.2016 the effects of ANRE Decision 738/28.03.2014 are no longer suspended, bearing full effects.

Under such circumstances the Company applies the provisions of article 17 para 5 of ANRE Order 116/2013 for mutual receivables and liabilities occurred after the insolvency procedure, namely withholding the bonus due to CET Govora SA up to the concurrence of amounts related to the support scheme that were not paid to the Company. Transelectrica was registered in the Preliminary and final receivables table with total amount of 28,200, of which 25,557 relate to the support scheme. Mention should be made this receivable amounting to 21,962 representing principal and penalties related to invoice 8116/08.04.2016, was registered under the suspensive condition of pronouncement of a final juridical ruling in favour of ANRE under file 2428/2/2014 on the docket of the Bucharest Court of Appeal, pertaining to cancelling ANRE decision 738/28.03.2014.

On 18.07.2018 Valcea Tribunal pronounced the following settlement:

- It confirmed the reorganisation plan of Co. CET Govora SA proposed by the judiciary administrator EURO INSOL SPRL, submitted on 25 May 2018 to the file and printed in the Bulletin of Insolvency Procedures 11924 of 13 June 2018. - - It denied the contestations submitted by creditors Energy Complex Oltenia SA, SNTFM CFR Marfa SA, Solek Project Delta SRL, Solek Project Omega SRL, Clean Energy Alternativ SRL and Solar Electric Curtisoara SRL.

- It set 8 October 2018 as substantial term to continue the procedure.

Appeal right within 7 days from notification performed by means of the Bulletin of Insolvency Procedures; pronounced at public hearing of 18 July 2018; Document: Ruling 1196/18.07.2018.

Ruling 766/03.12.2018 of the Appeal Court Pitesti cancelled the amount of 28,014 representing a liability the Company registered in the Creditors' Table (File 1396/90/2016).

Under such circumstances the Company included the amount of 22,188 from the support scheme in the sundry debtors' account, which is analytically distinct - ANRE, and impacts the net position of the support scheme.

- The amount of 22,188 represents receivable to be cashed from CET Govora under the support scheme amounting to 25,557, corrected with the bonus of 3,369 the Company withheld according to article 17 para 5 from Order 116/2013 of ANRE President.

On 25.03.2022, by Government Decision no. 409/2022, it was adopted the amendment and completion of Government Decision no. 1215/2009 on the establishment of criteria and conditions necessary for the implementation of the support scheme for the promotion of high efficiency cogeneration based on useful heat demand. Thus, the period of application of the support scheme is extended until 2033, exclusively for producers who meet the conditions for accessing the extension of the support scheme.

At the same time, the financial closure of the support scheme, which will take place in the first half of 2034, is extended.

Other claims

As at 30 June 2023, other receivables in the amount of 144,344 mainly include:

➤ sundry debtors (**105,407**), of which:

- Payment delay penalties calculated on defaulting clients, amounting to 83,295 (of which 35,351 are penalties related to the support scheme). The highest delay penalties were recorded by the following clients: RAAN (16,901), Romelectro (13,424), CET Govora (9,607), Electrocentrale București (9,409), Eco Energy SRL (8,910), Petprod SRL (8,894) and the other customers (8,894), Total Electric Oltenia (3,289), OPCOM (2,956), Electromontaj SA (2,739), ICPE Electrocond (1,004). Impairment allowances were recorded for penalties calculated for late payment of receivables from operational activities;
- compensation owed by suppliers for non-delivery of electricity: Arelco Power (988), Enol Grup (2,541) and Next Energy Partners (8,395). Impairment allowances have been recorded for compensation due from suppliers in operational activities;
- receivable from OPCOM representing VAT on the contribution in kind to the capital of the subsidiary in the amount of 4,517.

➤ prepaid expenses of 11,600 mainly represented by: domestic and international dues (3,537), ANRE

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annual contribution for 2023 (2,422), taxes and duties for 2023 (1,823), insurance policies (905), rent and maintenance of office building (744) and others;

- other social claims amounting to 2,309 mainly representing sick leave paid by the employer to employees and to be recovered from the National Health Insurance House, in accordance with the legislation in force.

Down payments to suppliers

As at 30 June 2023, down payments paid to suppliers are represented by debtor suppliers for services rendered in the amount of **80,035** and represent mainly amounts from transactions related to the price coupling mechanism (ICP - *Interim Coupling Project*, SIDC - *Single Intraday Coupling* and SDAC - *Single Day-ahead Coupling*) (52,849 - for ICP and SDAC and 25,367 - for SIDC).

The price coupling mechanism was applied beginning with 19 November 2014, date when the '4 Markets Market Coupling (4MMC)' project providing connection of the DAM (day-ahead electricity markets) from Romania, Hungary, Czech Republic and Slovakia became operational. Such price coupling mechanism of day-ahead markets means the electricity exchanges correlate the electricity transactions for the following day based on bids, taking into account the interconnection capacity made available by the TSO, whereby it is implicitly allocated. CNTEE Transelectrica SA as TSO transfers electricity both in physical and commercial terms to the neighbouring TSO (MAVIR, Hungary) and manages the congestion revenues on the respective interconnection (article 139 from ANRE Order 82/2014), and in relation to OPCOM SA it is Implicit Participant to the Day-Ahead Market.

In its capacity of Transfer Agent and Implicit Participant CNTEE Transelectrica SA has the commercial task to settle the electricity transacted between OPCOM SA and MAVIR.

On 19 November 2019 On 19 November 2019 the 2nd wave was launched under the single European intraday markets coupling (SIDC – *Single Intraday Coupling*), with first deliveries on 20 November. Seven countries: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Slovenia joined the fourteen states: Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Latvia, Lithuania, Norway, the Netherlands, Portugal, Spain and Sweden that have been already operating under coupled regime since June 2018.

The single intraday coupling mechanism provides uninterrupted matching of sale and purchase offers made by market participants from a bidding zone with the sale and purchase offers from within one's own bidding zone and from any other bidding zone with available cross-border capacity.

In its capacity of Transfer Agent CNTEE Transelectrica SA has the commercial task to settle the electricity transacted between OPCOM SA, MAVIR and IBEX.

28 October 2021 marks the start of the new successful SDAC *Single Day-ahead Coupling*, the result of cooperation between the Designated Electricity Market Operators (DEMO) and the Transmission System Operators (TSO) of Bulgaria and Romania, namely IBEX EAD, OPCOM SA, ESO EAD and CNTEE Transelectrica SA. The aim of the SDAC is to create a single pan-European cross-border day-ahead energy market. An integrated day-ahead market increases the overall efficiency of trading by promoting effective competition, increasing liquidity and enabling more efficient use of generation resources across Europe.

In its capacity of transfer agent for Romania's bidding zone, CNTEE Transelectrica SA has the task to settle the energy transacted between OPCOM SA and IBEX.

The launch of Flow Based Market Coupling in the Core region on 08 June 2022 represented the transition from the ICP - *Interim Coupling Project* coupling mechanism to FBMC - *Flow Based Market Coupling*, optimising the European electricity market for 13 countries: Austria, Belgium, Croatia, Czech Republic, France, Germany, Hungary, Luxembourg, Netherlands, Poland, Romania, Slovakia and Slovenia.

In the FBMC project, Transelectrica has the role of both Shipper (Transfer Agent) and CCP - *Central Counterparty*. As CCP, the Company has the task of transferring the financial flows generated by the electricity flows, following the coupling process.

VAT to be recovered

VAT to be recovered (255,498) - amount mainly relating to the statements of account for the period March - June 2023 and October 2020.

Allowances for impairment of trade receivables, doubtful trade receivables and other doubtful receivables

Group's policy is to record impairment adjustments for loss of value in the amount of 100% for customers in litigation, insolvency and bankruptcy and 100% of trade and other receivables not collected within a period of more than 180 days, excluding outstanding receivables arising from the support scheme. The Company also carries out an individual analysis of trade and other receivables outstanding.

The highest impairment adjustments on 30 June 2023, calculated for trade receivables and associated penalties, were registered for CET Govora (25,075), Eco Energy SRL (24,736), Petprod SRL (23.540), Arelco Power (14,788), Total Electric Oltenia SA (14,186), Romenergy Industry (13,513), Romelectro SA (13,429), Elsaco Energy (9,276), RAAN (8,517), Next Energy Partners SRL (8,395).

The Company has taken the following steps to recover such receivables adjusted for depreciation: legal action, registration in the creditor's list, etc.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include balances of cash, deposits on sight and deposits with initial maturities up to 90 days from establishment date, with insignificant exposure to the risk of having their fair value modified, which the Company uses to manage current commitments.

On 30 June 2023 and 31 December 2022, cash and cash equivalents were as follows:

	<u>30 june 2023</u>	<u>31 december 2022</u>
Current bank accounts and deposits of which:	499.651	333.515
<i>a) current accounts at banks and deposits current activity</i>	114.589	180.843
<i>b) current accounts at banks and restricted deposits, of which</i>	385.062	152.673
- cash and deposits from high efficiency cogeneration	283.652	96.436
- cash of revenues from the allocation of interconnection capacities used for network investments	21.650	444
- cash from the connection fee	45.662	21.724
- European funds	25	25
- other restricted accounts (energy market guarantees and dividends)	34.072	34.043
Cash desk	228	166
Other cash equivalents	100	0
Total	<u>499.979</u>	<u>333.681</u>

7. SHAREHOLDERS' EQUITIES

In accordance with the provisions of OUG 86/2014 establishing reorganisation measures for public central administration and amending and adding certain norms, on 20 February 2015 the Company's Shareholder Register recorded the transfer of 43,020,309 shares from the Romanian State's account managed by the Secretariat General of the Government into the Romanian State's account managed by the Ministry of Economy, Trade and Tourism.

In accordance with the provisions of article 2 from OUG 55/19 November 2015 establishing reorganisation measures for public central administration and amending and adding certain norms, the Ministry of Economy, Trade and Business Environment Relations (MECRMA) was established by reorganising and taking over the activities of the Ministry of Economy, Trade and Tourism that was cancelled while the Ministry of Energy, Small & Medium Sized Enterprises and Business Environment took over the activities and structures in the SME domain.

In accordance with the Governmental Emergency Ordinance (OUG) 68/2019 establishing measures for public central administration and amending and adding certain norms, published in Romania's Official Gazette 898/06.11.2019, beginning with 6 November 2019 the Secretariat General of the Government

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has exercised the rights and performed the obligations ensuing from the state capacity of shareholder for the National Power Grid Company.

On 14.11.2019 the Central Depository SA registered the transfer of 43,020,309 shares (representing 58.69% of the share capital) issued by CNTEE Transelectrica SA from the Romanian State's account through the Ministry of Economy into the Romanian State's account represented by the Government through the Secretariat General of the Government in consequence of applying the provisions of the Governmental Emergency Ordinance 68/06.11.2019 establishing measures for public central administration and amending and adding certain norms.

On 30 June 2023, the shareholders of CNTEE Transelectrica SA are: the Romanian State represented by the General Secretariat of the Government which holds 43,020,309 shares (58.69%), NN Group NV with 4,007 shares.688 shares (5.47%), PAVAL HOLDING with 4,753,567 shares (6.49%), other shareholders legal entities with 16,045,987 shares (21.88%) and other shareholders physical entities with 5,475,591 shares (7.47%).

At the end of each reporting period, the Company's fully subscribed and paid-up share capital of 733,031,420 is divided into 73,303,142 ordinary shares with a nominal value of 10 lei/share and corresponds to that registered with the Trade Register Office.

The shareholding structure on 30 June 2023 and 31 December 2022 is as follows:

Shareholder	30 june 2023		31 december 2022	
	Number of shares	% of the share capital	Number of shares	% of the share capital
Romanian State by MECRMA	43.020	58,69%	43.020	58,69%
Other legal person shareholders	16.046	21,88%	16.007	21,83%
PAVAL HOLDING	4.754	6,49%	4.754	6,49%
Privately managed pension fund NN	4.008	5,47%	4.008	5,47%
Other natural person shareholders	5.476	7,47%	5.515	7,52%
Total	73.303	100,00%	73.303	100,00%

The increase in shareholders' equity as at 30 June 2023 compared to 31 December 2022 was mainly due to the recognition in retained earnings of net profit in the amount of 164,081 realised as at 30 June 2023.

Also, the retained result was affected with the amount of 4,683 representing profit tax according to the tax decision issued on 19.06.2023, as a result of the conclusion of the NAFA DGAMC control at the SMART subsidiary.

8. DEFERRED REVENUES

Deferred revenues are mainly represented by: the connection fee, other subsidies for investments, non-reimbursable European funds received from the Ministry of European Funds and revenues from the use of interconnection capacity.

As at 30 June 2023, the deferred **revenues** were as follows:

	30 june 2023	Of which: current part at 30 june 2023	31 december 2022	Of which: current part at 31 december 2022
Deferred revenues – allocation of the interconnection capacity	37.630	37.630	16.227	16.227
Deferred revenues – European funds	1.017	1.017	1.477	1.477
Connection fee funds	281.055	14.422	256.399	14.762
European funds	173.376	4.661	181.972	2.884
Other subsidies	21.848	900	22.472	4.170
Total	514.927	58.629	478.547	39.520

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The evolution of **current deferred revenues** from January to June 2023 is presented as follows:

	<u>30 june 2023</u>	<u>31 december 2022</u>
Opening balance 1 january	39.520	31.738
Cash in advance related to interconnection capacity	133.827	115.266
Proceeds from European funds	-	680
Transfer of long-term deferred revenues (connection tariff)	(1.677)	(197)
Revenues from the use of interconnection capacities	(112.424)	(106.688)
Revenues from European funds	(617)	(1.279)
Balance on the end of period	58.629	39.520

The evolution of **Non-current deferred revenues** from January to June 2023 is presented as follows:

	<u>30 june 2023</u>	<u>31 december 2022</u>
Opening balance 1 january	439.028	443.437
Connection subsidies	92.821	3.145
Non-reimbursable funds	5.567	(9.586)
Non-refundable funds to be repaid	-	-
Transfer from short term deferred revenues	(70.261)	27.535
Subsidies wich resumed into revenues	(10.857)	(25.503)
Balance on the end of period	456.298	439.028

9. BORROWINGS

- **Non-current borrowings**

On 30 June 2023, the value of non-current borrowings decreased compared to 31 December 2022 mainly because of repayments made according to existent loan agreements.

On June 30, 2023 and December 31, 2022, the balances of long-term loans contracted from credit institutions are as follows:

Description	<u>30 june 2023</u>	<u>31 december 2022</u>
BEI 25709	29.872	35.731
BEI 25710	37.862	43.713
Total non-current loans from credit institutions, of which:	67.734	79.444
Less: Current portion of non-current borrowings	(23.933)	(23.856)
Total non-current loans net of current instalments	43.801	55.588

The non-current part of borrowings will be re repaid as follows:

	<u>30 june 2023</u>	<u>31 december 2022</u>
From 1 to 2 years	23.933	23.856
From 2 to 5 years	19.868	31.256
More than 5 years	-	476
Total	43.801	55.588

The Group did not provide coverage for risks associated to its liabilities in foreign currency or for its exposure to risks associated to interest rate.

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All non-current loans outstanding at 30.06.2023 bear fixed interest rate.

- **Current borrowings**

Current borrowings are detailed as follows:

	<u>30 june 2023</u>	<u>31 december 2022</u>
Current portion of non-current borrowings	23.933	23.856
Short-term bank loans	-	67.618
SMART credit lines	10.801	5.701
Interest related to the non-current and current loans	652	775
Total current borrowings	<u>35.386</u>	<u>97.950</u>

- *Loans contracted for current activities*

On 30.03.2023, Transelectrica entered into credit agreement no. **C624 with Banca Comercială Română** for a period of 12 months in order to finance the support scheme bonus for high efficiency cogeneration, in the form of an overdraft, in the amount of RON 175,000, with an interest rate calculated according to the ROBOR 1M reference rate, plus a margin of 0% and a commission of 0.088%.

The credit line is secured by means of:

- chattel mortgage on the bank account opened with the bank;
- chattel mortgage on the receivables resulting from the contracts for the high efficiency cogeneration contribution concluded with Electrica Furnizare SA, Enel Energie SA, Enel Energie Muntenia SA, EON Energie România SA.

On 04.01.2023, Transelectrica concluded the Additional Act No. 1 to the credit agreement No. C624 concluded with Banca Comercială Română, having as object the extension of the purpose of the credit line and to cover temporary working capital needs and the extension of the validity of the contract by 12 months (from 30.03.2023 to 30.03.2024). On June 30, 2023, the line of credit is undrawn.

On 10.03.2022, Transelectrica entered into credit agreement no. **C588 with Banca Transilvania** for a period of 12 months to finance the working capital of the Company, in the amount of 200 mil lei with an interest rate based on the ROBOR 1M reference rate, to which a margin of 0.05% is added.

The credit agreement in the amount of 200 million lei has the following structure:

- 175 million lei - revolving credit line used to cover temporary working capital needs for the timely payment of the Company's outstanding liabilities, with a 12-month drawdown period until 09.03.2023;
- 25 million lei in the form of a ceiling for issuing bank guarantee letters, with a letter issuing period of 12 months, until 09.03.2023 and a letter validity of 24 months.

On 09.05.2022, Transelectrica concluded the Addendum No. 1 to the credit agreement No. C588 concluded with Banca Transilvania, extending the validity of the use of the credit line to 24 months (use of the credit line until 08.03.2024).

On 16.06.2022, Transelectrica entered into Addendum No. 2 to the credit agreement No. C588 with Banca Transilvania, increasing the ceiling for issuing bank letters of guarantee from RON 25 million to RON 40 million (ceiling use until 09.03.2023).

The credit line is guaranteed by:

- chattel mortgage on the bank account opened with the bank;
- chattel mortgage on the claims arising from the contract for the provision of electricity transmission service and system service concluded with Electrica Furnizare SA.

On 19.04.2023, Transelectrica entered into the Addendum No. 3 to the credit agreement No. C588 concluded with Banca Transilvania, regarding the amendment of the guarantee contracts. On June 30, 2023, the line of credit is undrawn.

In November 2021, SMART SA contracted a new revolving credit line facility from Banca Românească in

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the amount of 12 mil lei to finance current activity and refinance the credit line held at Libra Internet Bank, for a period of 12 months with maturity on November 23, 2022.

On November 22, 2022, the Subsidiary increased the ceiling of the credit line by 3 mil lei to the total value of 15 mil lei and extended its duration by 12 months, the next maturity being on 22.11.2023.

On June 30, 2023, withdrawals were made from the credit line in the amount of 10,801.

10. a. TRADE AND OTHER LIABILITIES

On 30 June 2023 and 31 December 2022, trade and other liabilities were as follows:

	30 june 2023	31 december 2022
Providers - electricity market	703.611	1.956.548
Asset providers	120.622	134.881
Providers of other activities	34.681	34.554
Amounts due to employees	12.671	11.220
Other liabilities	802.175	1.214.971
Total	1.673.759	3.352.175

On 30 June 2023 and 31 December 2022, the liabilities on balance from the electricity market amounting to 703,611 and 1,956,548 respectively, have the following structure:

	30 june 2023	31 december 2022
Providers - electricity market, of wich:		
-providers - operational activity	374.394	1.336.903
-providers - balancing market	301.140	583.098
-providers- bonus type support scheme to promote high efficiency cogeneration	28.077	36.547
Total	703.611	1.956.548

The suppliers on the electricity market are mainly represented by OPCOM, MAVIR, IBEX, Hidroelectrica SA, Joint Allocation Office, S Complexul energetic Oltenia SA, CIGA Energy SA, Electrica Furnizare SA, CINTA Energy SA, OMV Petrom SA. As of 30 June 2023, their share in the total number of electricity suppliers was 95.80%.

The decrease in the liability balance for operational activities was mainly due to the payment in the first half of 2023 of the payment liabilities outstanding on 31 December 2022, mainly resulting from the coupling of electricity markets.

The decrease in the the liability balance of the balancing market was determined by the decrease in the volume of transactions recorded on the balancing market in the first half of 2023 compared to the second half of 2022.

The decrease in of liabilities related to the support scheme to suppliers (producers) was mainly determined by the decrease in the monthly bonus for high efficiency cogeneration from June 2023 to December 2022.

On 30 June 2023, there are payment obligations to suppliers (producers) in the amount of 27,120 (RAAN - 23,751 and CET Govora SA - 3,369), representing the monthly cogeneration bonus, the ex-ante overcompensation for 2014 and 2015, and the bonus not paid in 2015. The amounts representing Company liabilities under the support scheme to RAAN and CET Govora were withheld from payment according to article 17 para 5 of Order 116/2013 of ANRE President, because suppliers (producers) registered payment liabilities to the Company under the bonus type support scheme.

The company requested the suppliers (producers) that did not pay the overcompensation invoices their agreement to compensate mutual liabilities at minimum level by means of the Institute of Management and Informatics (IMI) which uniformly manages all information received from tax-payers according to the

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provisions of GD no. 773/2019.

The Producers (RAAN, and CET Govora) did not agree with this manner of extinguishing mutual receivables and liabilities, therefore the Company has applied and further applies article 17 para 5 from Order 116/2013 of ANRE president approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and bonus payment for electricity generated under high efficiency cogeneration: *“in case the generator did not make the payment in full to the support scheme administrator of its payment liabilities resulted in accordance with the provisions of this Regulation, the support scheme administrator pays to the producer the difference between the producer invoices and its payment liabilities under the support scheme, with explicit mention of the respective amounts on the payment document”* and withheld from payment the due amounts under the respective support scheme.

CNTEE Transelectrica SA concluded with CET Govora SA a compensation agreement to spread out the payment of amounts representing receivables from the 2011-2013 overcompensation and the 2014 undue bonus (Agreement C 135/30.06.2015 and Addendum 1/04.08.2015). The Agreement term was of 1 year (July 2015-August 2016) and provided the Company’s right to calculate and collect penalties during payment spread-out.

In accordance with such Agreement the Company’s receivables collectable from CET Govora SA were compensated with its liabilities to CET Govora SA, represented by cogeneration bonus for May 2014 – October 2015 amounting to 40,508, withheld by applying the provisions of article 17 para 5 from Order 116/2013 of ANRE President and the Agreement provisions.

Since ANRE Decision 738/28.03.2014 was suspended by court civil ruling 3185/27.11.2015, which had determined the 2011-2013 overcompensation, CET Govora SA had no longer complied with the Agreement terms. Beginning with 9 May 2016 the general insolvency procedure was initiated for CET Govora. Taking into account the provisions of the Insolvency Law 85/2014 the Company ceased, beginning with 9 May 2016, to apply the provisions of article 17.5 from Order 116/2013 of ANRE President approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the payment mode of the bonus for electricity generated under high efficiency cogeneration and pays monthly the cogeneration bonus owed to CET Govora. Civil ruling 2430/05.10.2016 of the High Court of Cassation and Justice admitted the appeal filed by ANRE against civil ruling 3185/27.11.2015, partly cancelled the sentence appealed against and denied the suspension request of CET Govora, such decision being final. Thus, beginning with 05.10.2016 the effects of ANRE Decision 738/28.03.2014 are no longer suspended, bearing full effects.

Under such circumstances the Company applies the provisions of article 17 para 5 of ANRE Order 116 / 2013 for mutual receivables and liabilities accrued after the insolvency procedure, meaning it withheld the bonus due to CET Govora SA up to the concurrence of amounts related to the support scheme that were not paid to the Company.

The decrease of the asset suppliers’ balance on 30 June 2023 compared to 31 December 2022 was mainly owed to payments falling due.

Liabilities to the suppliers of other activities are mainly represented by liabilities associated to services provided by third parties that did not reach maturity, which have increased in comparison with 31 December 2022.

The liability structure under **“other liabilities”** was the following:

	<u>30 june 2023</u>	<u>31 december 2022</u>
Various creditors	413.046	389.853
Client-creditors	282.040	770.851
Dividends to pay	52.181	148
Other liabilities	54.908	54.119
Total	<u>802.175</u>	<u>1.214.971</u>

- "Sundry creditors", amounting to **413,046** at 30 June 2023, mainly represent:

- the net position of the support scheme for high efficiency cogeneration, a liability position amounting to 397.742.

The net support scheme position represents the difference between:

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- the contribution to be collected from the suppliers of electricity consumers; the overcompensation for electricity and heat generated under high efficiency cogeneration; the undue bonus to collect from producers according to ANRE decisions on the one hand, and
- the cogeneration bonus; the ex-ante overcompensation and ungranted bonus to pay to electricity producers for high efficiency cogeneration that are beneficiaries of the support scheme on the other hand;
- 12,443 study contracts for RET connection solutions,
- 1,524 royalty quarter II 2023 and others.

- "Client creditors" on 30 June 2023 total **282,040**, of which 281,102 represent amounts received in advance on transactions relating to the price coupling mechanisms, ICP (Interim Coupling Project), SIDC (Single Intraday Coupling), SDAC (Single Day-ahead Coupling) and FBMC (Flow Based Market Coupling), from OPCOM (9,467), MAVIR (173,729), IBEX (97,885) and JAO (20).
- On 30 June 2023, the unpaid dividends owed to the Company's shareholders amounted to 52,181. Such amounts are at the shareholders' disposal by means of the payment agent.
- Other liabilities" in the amount of **54,908** are mainly represented by the payment bonds of contracts on the electricity market concluded by Company in the amount of 35,175 and non-demandable VAT during the reporting period in the amount of 19,177 and others.

10.b LIABILITIES - LEASING

On June 30, 2023 and December 31, 2022, the liability for fixed assets related to the rights of use of leased assets, according to the provisions of IFRS 16 – Leases, is as follows:

	<u>30 june 2023</u>	<u>31 december 2022</u>
Liabilities - leasing, short term	9.526	9.141
Liabilities - leasing, long term	12.574	15.949
Total	<u>22.100</u>	<u>25.090</u>

On 30 June 2023, the **liability for assets related to the usage rights of leased assets - buildings**, in accordance with IFRS 16 - Leases, amounted to 20,770 of which:

- Current liability: 9,260
- Non-current liability: 11,510

On June 30, 2023, the **debt for fixed assets related to the rights of use of assets leased-vehicles**, according to the provisions of IFRS 16 – Leasing contracts, amounts to 1,330, of which:

- short-term debt: 266
- long-term debt: 1,064

11. PROVISIONS

On 30 June 2023 and 31 December 2022, the provision situation was as follows:

	<u>30 june 2023</u>	<u>31 december 2022</u>
Provisions for litigations	26.060	26.060
Provisions for mandate contracts	39.094	43.339
Other provisions	2.103	2.158
Total	<u>67.257</u>	<u>71.557</u>

Provisions for disputes found on balance at 30.06.2023, amounting to 26,060, are mainly represented by provisions for the following disputes:

- *File No. 36755/3/2018 - Claimant Conaid Company SRL (17.216) - more details on this file are provided in Note 19 - Disputes and Contingencies.*
- *File No 15561/3/2022 - Claimant SMART SA (4.467) - more details on this file are given in Note 19 - Disputes and Contingencies.*
- *File No 3083/3/2020 - Claimant NUCLEARELECTRICA SA (1.473)*

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On 26.06.2020, Nuclearelectrica sued the Company in order to pay 1,290,533 lei representing negative imbalance and 182 lei, legal interest.

After several terms when the case was deferred (26.06.2020, 16.10.2020, and 11.12.2020) for various reasons, on 22.12.2020 the Court obliged the Company to pay 1,291 as compensatory damages to the claimant; to pay the update of such sum with the inflation rate from 27.09.2018 until actual payment date; to pay 182 representing legal penalty interest calculated from 27.09.2018 until 31.01.2020, and to further pay the legal penalty interest calculated from 01.02.2020 until actual payment date. It also compelled the defendant to pay 23 to the claimant as law court expenses, consisting of judiciary stamp tax. It denied the defendant's request for law court expenses as groundless. Appeal right granted within 30 days from notification. (Ruling 2698/2020 / 22.12.2020).

CNTEE Transelectrica SA filed appeal with the Bucharest Court of Appeal. In the hearing of 25.11.2021, the Bucharest Court of Appeal admits the appeal. Changes in part the civil ruling appealed against, in the sense that: Rejects as groundless the summons. Upholds the order of the first court dismissing as groundless the defendant's claim for court fees. Orders the plaintiff to pay the defendant the sum of EUR 20 591.66 by as appeal court fees. With a second appeal within 30 days from the date of communication, the second appeal request to be filed with the Bucharest Court of Appeal - Civil Section VI.

Nuclearelectrica has filed a second appeal, which is in the filter procedure.

"Provisions for mandate contracts" in the amount of 39,094, as at 30 June 2023, consist of:

- the variable component related to the allocated and unused OAVT packages during the period of the mandates executed in the period 2013-2017, for executive and non-executive directors;
- the remuneration representing the variable component, the non-competition indemnity and the remuneration related to the remaining gross monthly fixed indemnities until the end of the mandate for the dismissed members of the Supervisory Board/ Board of Directors, i.e. until 2024.

"Other provisions" in the amount of 2,103 mainly represents unused holiday leave and electricity for pensioners.

12. OTHER TAXES AND SOCIAL SECURITY LIABILITIES

On 30 June 2023 and 31 December 2022, other taxes and social security liabilities include:

	<u>30 june 2023</u>	<u>31 december 2022</u>
Contribution to the social security funds	11.918	12.849
Payable VAT	1.120	1.105
Salary tax	2.342	2.355
Other tax payable	1.454	1.069
Total	<u>16.834</u>	<u>17.377</u>

On June 30, 2023, the Company registered payment liabilities for the contributions to social security funds, salary tax and other taxes, which were due and paid in July 2023.

13. INCOME TAX

The Company's current and deferred income tax is determined at a statutory rate of 16%.

The income tax expense on June 30, 2023 and June 30, 2022, were as follows:

	<u>30 june 2023</u>	<u>30 june 2022</u>
Expenses with current income tax	(24.820)	(16.319)
Net income from deferred income tax	6.474	9.898
Total	<u>(18.346)</u>	<u>(6.421)</u>

14. OPERATIONAL REVENUES

The tariffs approved by ANRE for services provided on the electricity market for the first half of 2023 and the first half of 2022 are as follows:

	Transmission system average tariff	System service tariff
Order no.67/25.05.2023 for 01 June – 30 June 2023		6,64 ^{*)}
Order no.144/21.12.2022 for 01 Jan – 31 May 2023		7,73
Order no.28/29.03.2023 for 01 Apr – 30 Jun 2023	31,20 ^{**)}	
Order no.33/23.03.2022 for 01 Jan – 31 Mar 2023	28,10	
Order no.33/23.03.2022 for 01 Apr – 30 Jun 2022	28,10	9,32
Order no.124/25.11.2021 for 01 Jan – 31 Mar 2022	23,96	9,32

*) The change in the value of the tariff was determined by the application of the mechanism for correcting significant deviations from the forecast that was the basis for the approval of the tariff that came into force on 1 January 2023, in accordance with the provisions of the regulatory framework issued by ANRE;

***) The tariff for the transmission service of 31.20 lei/MWh, in force as of 1 April 2023, includes the main component of 28.61 lei/MWh and the component related to additional costs with CPT of 2.59 lei/MWh (ANRE Order no. 28/2023).

The quantity of electricity delivered to consumers in the first half of 2023 and the first half of 2022 was as follows:

	30 june 2023	30 june 2022
Quantity of electricity delivered to consumers (MWh)	24.971.216	26.903.264

The operating revenues for the first half of 2023 and the first half of 2022 are as follows:

	30 june 2023	30 june 2022
Transmission revenues	747.507	693.803
Revenues from the allocation of interconnection capacities	180.919	126.580
Revenues from reactive energy	7.242	732
Inter TSO Compensation (ITC) revenues	1.983	235
Revenues from transactions with own technological consumption	21.406	11.199
Total revenues from electricity transmission	959.057	832.550
Revenues from system services	189.197	251.675
Emergency energy assistance to neighboring	3.553	-
Income from unintended/intended exchanges	-	45
Total revenues from system services	192.751	251.720
Revenues on the balancing market	1.017.616	1.494.831
Income from other benefits and other operating income	31.281	-
Grid losses anticipatory tariff income	-	-
Other revenues	31.281	38.719
Total revenues	2.200.704	2.617.819

The attached notes are integrant part of these consolidated interim financial statements

Revenue from transmission service

Revenues from the transmission service increased in the first half of 2023 compared to the first half of 2022 by 53,705, due to the increase in the average tariff for the transmission service approved by ANRE (according to the previously provided table with ANRE-approved tariffs in the periods under review), while the quantity of electricity delivered to consumers decreased by 7.18%, i.e. by 1,932,045 MWh.

Revenue from the allocation of interconnection capacities

Revenue from the allocation of interconnection capacities increased in semester I of 2023 compared to semester I of 2022 by 54,338, corresponding to the level of usage of available interconnection capacities by traders in the electricity market.

The market for the allocation of interconnection capacities is fluctuating, with prices changing according to demand and the need for electricity market participants to acquire interconnection capacities. The increase in semester I of 2023 compared to semester I of 2022 is due to both the unit price of electricity which has increased across the European Union, leading to a large price differential between the coupled markets, and the European energy shortage. Implicit allocations, where capacity and energy are foreseen simultaneously, are strongly influenced by electricity price variations on European exchanges.

The mechanism for allocating interconnection capacities consists of annual, monthly, daily and intra-day bids. Bids on the Romania-Serbia border, long-term bids on the borders with Hungary and Bulgaria and daily bids on the border with Moldova are explicit - only transmission capacity is bided, while daily (borders with Hungary and Bulgaria) and intra-day (borders with Hungary and Bulgaria) bids are implicit - they are allocated simultaneously with energy and capacity through the coupling mechanism.

On 8 June 2022, the Core FB MC (Core Flow-Based Market Coupling) project went live, thus initiating day-ahead flow-based market coupling in the Core capacity calculation region. The flow-based market coupling mechanism optimises the European electricity market for 13 countries (Austria, Belgium, Croatia, Czech Republic, France, Germany, Hungary, Luxembourg, Netherlands, Poland, Romania, Slovakia and Slovenia).

As of 27 October 2021, the Romania-Bulgaria border has been integrated into the Single Day-Ahead Market Coupling (SDAC), with cross-border capacity between Romania and Bulgaria allocated by default.

As of November 2019, the 2nd wave of the Single Intraday Coupling (SIDC) European Single Intraday Market Coupling solution has been launched. The Single Intraday Market Coupling mechanism ensures the seamless matching of bids and offers of market participants in one bidding zone with bids and offers from within its own bidding zone and from any other bidding zone where cross-border capacity is available. Thus, explicit intraday bids are only on the border with Serbia, and implicit intraday bids (within the SIDC) on the borders with Bulgaria and Hungary.

The use of net revenues from the allocation of interconnection capacities is carried out in accordance with the provisions of ANRE Order No 171/2019 and Regulation (EU) 2019/943 of 5 June 2019 on the internal market in electricity, as a source of financing investments for the modernisation and development of interconnection capacity with neighbouring systems.

Extending market coupling has the effect of levelling the price of energy in Europe, which is also one of the main objectives of Regulation (EU) 2015/1222 "laying down guidelines on capacity allocation and congestion management".

Inter TSO Compensation (ITC) revenues

Inter TSO Compensation (ITC) revenues were higher in semester I of 2023 compared to semester I of 2022 by 1,748. This revenue comes mainly from scheduled electricity exchanges with perimeter countries (countries that are not part of the ITC mechanism), i.e. Ukraine and Moldova. Starting from 01.09.2022, the tariff for exchanges with perimeter countries changed from 0.6 EUR/MWh to 1.2 EUR/MWh, which led to an increase in revenue compared to the same period last year. In addition, trade with Ukraine was severely reduced in February and March 2022 due to the outbreak of armed conflict in the region, and trade with Moldova only started in October 2022.

Revenues from CPT transactions

Energy trading revenues for CPT were higher in in semester I of 2023 compared to semester I of 2022 by 10,207. These revenues come from the sale of surplus energy, resulting as the difference between the long- and medium-term forecast and the short-term forecast on the Intraday Market administered by

OPCOM and as the difference between forecast CPT and actual CPT on the Balancing Market, respectively.

In the structure of these revenues, transactions on the Intraday Market were lower than in the previous year, as a large part of the required CPT was acquired on the long-term markets through the MACEE mechanism and bilateral contracts, and prices on the short-term markets decreased compared to the previous year, with negative price intervals, while transactions on the Balancing Market were higher than in the previous year, due to the delegation of balancing responsibility to another ERP as of June 2022, as well as due to the fact that several negative balancing price intervals were recorded.

Revenues from system services

Revenues from system services decreased by 62,478 in the first half of 2023 compared to the first half of 2022, due both to the decrease in the tariff approved by ANRE for these services (according to the previously provided table with ANRE-approved tariffs in the periods under review) and to the reduction in the quantity of electricity delivered to consumers by 7.18%, i.e. by 1,932,045 MWh.

For the activity of system services, the specific regulatory framework for this activity contains regularisation mechanisms that ensure compensation for the excess or shortfall of revenue in relation to the level of expenditure required to carry out the activity. Thus, according to ANRE regulations, the surplus/deficit of revenue compared to the recognised costs resulting from the performance of this activity is compensated by ex-post tariff correction (negative/positive correction) applied by ANRE in the tariff in the years following the year in which the surplus/deficit was recorded. The surplus/deficit of revenue over the costs resulting from the performance of this activity is calculated per tariff scheduling period.

Revenues from emergency aid

In May and June 2023, the Company provided emergency aid to Serbia and Ukraine. Thus, in the first half of 2023, revenues from emergency aid in the amount of 3,553 was registered.

Revenue on the balancing market

Revenues on the balancing market decreased in semester I of 2023 compared to semester I of 2022 by 477,215 mainly due to the following:

- national regulations on the electricity market, namely GEO No 153 of 11 November 2022 *for the amendment and completion of GEO No 27/2022 on measures applicable to final customers in the electricity and natural gas market for the period from 1 April 2022 to 31 March 2023*, as well as for the amendment and completion of certain regulatory acts in the field of energy and the amendment of GEO No 119/2022 for the amendment and completion of GEO No 27/2022 on measures applicable to final customers in the electricity and natural gas market for the period from 1 April 2022 to 31 March 2023, as well as for the amendment and completion of certain regulatory acts in the field of energy;
- European legislative regulations on the energy market;
- energy market developments at European and regional level;
- the contracting method in pre-balancing markets;
- the evolution of hydropower and wind generation;
- the evolution of electricity production and consumption;
- the evolution of the negative/positive imbalance of electricity suppliers in the balancing market;
- the evolution of the average price recorded on the balancing market.

15. SYSTEM OPERATION AND BALANCING MARKET EXPENSES

Expenses in semester I of 2023 compared to semester I of 2021 were as follows:

	<u>30 june 2023</u>	<u>30 june 2022</u>
Expenses on own technological consumption	261.205	434.186
Congestion expenses	88	221
Expenses for the electricity consumption in RET substations	25.456	20.628
Expenses regarding functional system services	-	31
ITC expenses (Inter TSO Compensation)	20.321	10.970
Total system operating expenses	<u>307.070</u>	<u>466.036</u>
		-
Expenses regarding system services	230.735	230.820
Balancing market expenses	1.017.157	1.494.866
Total	<u>1.554.962</u>	<u>2.191.722</u>

Expenses on own technological consumption

This represents expenses on the acquisition of electricity from the free electricity market, i.e. the Centralised Bilateral Contract Market (CBMP), the Day-ahead Market (DMP), the Balancing Market (BE) and the Intraday Market (IP) to cover own technology consumption (OTC) in the electricity transmission network (RET).

Expenses on own technology consumption was lower by 172,982 in semester I of 2023 compared to semester I of 2022, due to a number of issues as follows:

- given its characteristic features, the Own Technological Consumption (CPT) in the Electricity Transmission Network (RET) strongly depends on meteorological conditions, the structure of electricity generation and consumption at national level, the distribution of electricity flows in the internal transmission network and on the interconnection lines with neighbouring power systems, and its value is very little if at all controllable in an interconnected and coupled regional power market;
- following the provisions of GEO no. 153/2022, CNTEE Transelectrica SA acquired electricity to cover 75% of the quantity related to the CPT forecast validated by the Centralised Electricity Purchase Mechanism (MACEE);
- Measures taken at European level to make energy consumption more efficient, the replacement of Russian gas, the reduction of demand in the industrial area, and the increase in the share of wind energy, in the context of an atypically warm winter, led to a decrease in the consumption of quantities traded on the short-term markets by more than 35% and in energy prices on these markets. Thus, the average price of energy purchased on the DAM in the first half of the year was around 50% lower than in the same period of 2022, while remaining higher than in previous years.

Congestion expenses

In the first half of 2023, congestion expenses of 88 were incurred. Following the tripping of Trafo 1 - 250 MVA, 400/110 kV in Tariverde station, in order to avoid overload operation of Trafo 2 - 250 MVA, 400/110 kV and Trafo 3 - 250 MVA, 400/110 kV, power reductions were ordered to the Dispersible Units connected in Tariverde station.

Expenses on electricity consumption in RET stations

This expenses increased by 4,829 in semester I of 2023 compared to semester I of 2022, due to the increase in electricity acquisition prices.

In order to carry out the electricity transmission activity in the substations and to operate the National Electricity System in safe conditions, CNTEE Transelectrica SA must acquire electricity to cover the consumption related to internal services in the high-voltage substations under the management of the Company.

Inter TSO Compensation (ITC) expenses

ITC expenses are the monthly payment liabilities/collection expenses for each transmission system operator (TSO) and are determined under the mechanism for compensation/discount of the effects of the use of the electricity transmission network (RET) for electricity transits between TSOs of countries that have joined this mechanism under ENTSO-E. In semester I of 2023, this expense was 9,351 higher than in the same period last year.

Expenses on system services

System services are acquired by the Company from producers in order to ensure the maintenance of the safe operation of the SEN and the quality of the electricity transmitted at the parameters required by the technical standards in force, based on the needs established by the National Energy Dispatcher who is responsible for ensuring the stability and safety of the SEN operation.

The contracting of these services is carried out both in a competitive and regulated regime (based on the decisions of the National Energy Regulatory Authority) in the case of reactive energy reserves.

The acquisition of system services shall be carried out on a competitive basis through daily tenders in accordance with the provisions of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019.

In the first semester of 2023, the contracting of system services under the regulated regime was carried out only for reactive energy, according to ANRE Decision no. 1078/2020, being provided by the Hydroelectric Power Production Company "Hidroelectrica" SA.

Expenses on system services in semester I of 2023 in the amount of 230,735 was relatively constant compared to the semester I of 2022 outturn. The acquisition prices of system services on the competitive market in semester I of 2023 remained around the values:

- the average acquisition price of the secondary regulation reserve with the value of 79,30 lei/MWh;
- the average acquisition price of the fast tertiary regulation reserve, at increasing power, with the value of 37,95 lei/MWh;
- the average acquisition price of the fast tertiary regulation reserve, at power reduction, with the value of 13,67 lei/MWh.

Also, the first half of 2023 saw a high level of concentration in the system services market for secondary reserve (SR) system services.

For the next period from 2023, it is estimated that a significant impact on the evolution of costs for the purchase of system services through daily and one-way auctions, at CNTEE Transelectrica SA level, will be the evolution of ANRE's regulatory framework on the electricity market, as well as the European context of evolution of the electricity market.

Balancing market expenses

The balancing market expenses of 1,017,157 in semester I of 2023 was 477,709 lower than in semester I of 2022. These expenses result from the notifications/achievements of the participants in this market and are significantly influenced by the evolution of national electricity production and consumption, the European context of the evolution of the electricity market and the way in which the contracting in the markets prior to the balancing market was carried out.

16. AMORTISATION

	30 june 2023	30 june 2022
Expenses with the depreciation of the tangible and intangible fixed assets	132.003	130.453
Expenses with the depreciation of the intangible fixed assets – inclusiv Grid Losses	33.853	-
Expenses with the depreciation of the assets related to the rights of use of the leased assets	4.455	4.681
Total	170.310	135.134

Amortisation of tangible and intangible assets represents the amortisation recorded in respect of the commissioning of investment works and the acceptance of assets.

Amortisation of intangible assets - additional CPT. These expenses were recorded in accordance with the

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provisions of OMF no. 3900/2022 on the approval of accounting specifications in application of the provisions of Article III of GEO no. 119/2022 for the amendment and completion of GEO no. 27/2022 on the measures applicable to end customers in the electricity and natural gas market for the period 1 April 2022-31 March 2023, and for the amendment and completion of certain regulatory acts in the energy sector.

According to Article III of GEO no. 119/2022 and approved by Law no. 357/13.12.2022, for licensed economic operators providing electricity transmission services, the additional costs for the acquisition of electricity made between 1 January 2022 and 31 March 2025 to cover their own technological consumption, compared to the costs included in the regulated tariffs, shall be capitalised quarterly and the assets resulting from the capitalisation shall be depreciated over a period of 5 years from the date of capitalisation.

Amortisation expense on intangible assets recognised under IFRS 16 According to IFRS 16 - Leasing contracts - buildings, the right to use the premises leased by the Group in office buildings is recognized as an asset valued at the level of the rent to be paid until the end of the lease contract. The asset recognized according to IFRS 16 is depreciated at the level of the monthly rent and is recorded under the indicator "expenses with depreciation of tangible and intangible assets". There is also a leasing contract for vehicles at the Group level (SMART SA) for which the depreciation expense is calculated.

17. PERSONNEL EXPENSES

	<u>30 june 2023</u>	<u>30 june 2022</u>
Personnel expenses	202.267	168.827
- of which expenses for employees' salaries	173.386	146.113

Total personnel costs incurred in first half of 2023 show an increase compared to the same period of the previous year, mainly due to an increase in some expenses items such as: personnel salary expenses, social expenses, expenses on vouchers granted to employees, expenses for mandate contracts and other committees, commissions, as well as the reversal to revenues of part of the provisions made for executive and non-executive directors dismissed, representing the variable component relating to the allocated and unused OAVT packages for the period of the mandates executed in the period 2013-2017 and the compensation provided for in the mandate contracts concluded in 2020 for the period 2020-2024, together with the payments made on the basis of enforceable court judgments received by the Company.

ii) The number of employees

On June 30, 2023 and June 30, 2022, the number of employees with individual employment contracts of indefinite duration is presented as follows:

Number of employees	<u>30 june 2023</u>	<u>30 june 2022</u>
Transelectrica SA	2.033	2.022
Smart SA	588	606
Teletrans SA	225	225

18. OTHER OPERATIONAL EXPENSES

	<u>30 june 2023</u>	<u>30 june 2022</u>
Other expenses with services provided by third parties	56.068	16.361
Postal and telecommunication expenses	555	372
Expenses on rents	3.241	3.041
(Revenues)/ Expense net for impairment adjustments for current assets	(870)	10.608
Other expenses	5.461	775
Total	64.455	31.156

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In semester I of 2023, this expenses increased by 25,434 compared to semester I of 2022, mainly due to the change in the following expenses items:

- an increase in certain items of expenses, namely: expenses on civil protection and security, expenses on the implementation of pan-European codes, expenses on taxes, duties and assimilated expenses, expenses on international dues, expenses on the recovery of stocks obtained from the scrapping of existing equipment in the power stations managed by the Company as a result of maintenance work, refurbishment, upgrading, etc. The increase in *expenses on taxes, duties and assimilated expenses* is mainly due to the recording of expenses on transfers to the State budget following the recovery of undismantled and unsorted waste from the dismantling of assets belonging to the State's public domain as part of the work to refurbish stations; stamp duty on legal costs.
- recording of the amount of 7,325 under other operating expenses not deductible for tax purposes, mainly representing the recognition on the Company's operating costs of two investment projects "Consolidation, modernization and expansion of CNTEE Transelectrica SA - Magheru headquarters" and "Implementation of an Electronic Filing and Document Management system within CNTEE Transelectrica SA" and recording of the related VAT adjustment;
- resuming to revenues of the impairment allowances of the investment objective "Consolidation, modernisation and extension of CNTEE Transelectrica SA - Magheru",
- decrease in (net) operational expenses relating to provisions for other operational expenses.

19. NET FINANCIAL RESULT

	30 june 2023	30 june 2022
Interest revenues	2.691	640
Revenues from exchange rate differences	22.729	3.236
Other financial revenues	1.505	2.294
Total financial revenues	26.925	6.171
		-
Interest expenses	(2.543)	(5.309)
Expenses from exchange rate differences	(22.278)	(4.361)
Other financial expenses	(342)	(5)
Total financial expenses	(25.163)	(9.675)
Net financial result	1.762	(3.504)

On 30 June 2023, the Company recorded a net financial result (profit) in the amount of 1,762, with 5,265 higher than that recorded in the same period of 2022. This was mainly influenced by the interest received during the period under review, but also 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 programmes.

On 30 June 2023, in the total amount of 2,543 (interest expense), the amount of 480 represents interest calculated on assets related to the usage rights of leased assets - buildings, as required by IFRS 16 - Leases.

The increased level of foreign exchange revenues and expenses was significantly influenced by the high volume of transactions related to the market coupling business segment in conjunction with the evolution of the exchange rates of the national currency against the euro.

Other financial revenues/other financial expenses mainly represent the recording of Transelectrica's exit from the shareholding of SELENE CC, according to the sale-purchase agreement of shares issued by SELENE CC. On 08.02.2023, the amount mentioned in the contract was received in full by Transelectrica from the buyers under the contract, by bank transfer.

The exchange rate of the national currency recorded on 30 June 2023 compared to that recorded on 30 June 2022 was as follows:

Currency	30 june 2023	30 june 2022
Lei / Euro	4,9634	4,9454
Lei / Dolar SUA	4,5750	4,7424

20. LITIGATIONS AND CONTINGENCIES

➤ *Litigation in progress*

The management periodically analyzes the situation of ongoing litigation, and after consulting with its legal representatives, decides the need to create provisions for the amounts involved or to present them in the financial statements.

Given the existing information, the Company's management believes that there are no other significant pending litigations in which the Company is a defendant, except for the following:

- **RAAN**

On the docket of Mehedinti Tribunal, Civil Section II, Administrative and Fiscal Disputes Section file **3616/101/2014** was recorded involving the "claims in the amount of 1,091, value of invoice no. 1300215/31.12.2013", a file in which the Company is the defendant, the plaintiff being the Independent Authority for Nuclear Activities, RAAN.

Civil ruling 127 pronounced on 10.10.2014 by Mehedinti Tribunal admitted the request filed by plaintiff RAAN and ordered CNTEE Transelectrica SA to pay the amount of 1,091 Lei, constituting the value of invoice 1300215/31.12.2013.

The Company filed appeal and requested the court by the decision it would take to allow the appeal as it was filed and reverse the judgment and sentences under appeal and referring the case to the trial court in the territorial jurisdiction for judgement, and stating the compliance with the requirements of Articles 1616 and 1617 of the Civil Code, reason for which it is also required to declare the occurrence of mutual debts compensation and their redemption up to the amount of the smallest of them, namely the total amount requested by the plaintiff in the application for summons, ordering the appeal - plaintiff to pay the expenses made with this appeal.

The appeal was registered on the docket of the High Court of Cassation and Justice that decided to reverse decision 843/2015 and to remand the case for retrial to the same court, the Appeal Court Craiova.

Ruling 124/2017 of the Appeal Court of Craiova admitted the appeal filed by Transelectrica and cancelled sentence 127/2014 pronounced by Mehedinti Tribunal, while the case was referred for retrial to Bucharest Tribunal, Section VI Civil. On the docket of the Bucharest Tribunal the case was registered under no. 40444/3/2017 which by civil ruling 4406/04.12.2017 admitted the request filed by RAAN and ordered Transelectrica to pay the amount of 1,091 Lei. The sentence was appealed.

In 2014-2015 the Company withheld for payment the bonus owed to RAAN under the support scheme according to ANRE regulations, namely article 17 para 5 from Order 116/2013 of ANRE president.

Under such circumstances RAAN calculated penalties for late payment of the due cogeneration bonus amounting to 3,497, withheld from payment by the Company on account of non-cashed receivables. The Company refused paying the amount of 3,497 and did not register it as liability in the support scheme.

The subject of file **9089/101/2013/a152** is objection against the Additional liability table of debtor RAAN, the disputed amount being 89,361 Lei.

Transelectrica SA was recoded with 11,265 Lei in the table of debtor RAAN, in the category of receivables resulting from the debtor's uninterrupted activity, the actual amount the Company requested being 89,361 Lei, but 78,096 Lei were not registered in the preliminary receivable table because "such sum was not recorded as owed liability in RAAN's accounting books". Moreover the judiciary liquidator considered the request to record 78,096 Lei was made late since it pertained to 2011 – 2013, for which reason the receivable statement should have been submitted when the insolvency procedure began, namely on 18.09.2013. The contestation of the additional liability table as Mehedinti Tribunal admitted the accounting expertise evidence.

On the contestation judgment term 14.06.2018 the decision was taken to suspend it until settlement of file **3014/2/2014** on the docket of the ICCJ, and on 14.02.2019, Mehedinti Tribunal decided joining file 9089/101/2013/A152 to file **9089/101/2013/a140** (pertaining to claims, payment request). Thus file judgment was deferred because the court considered it useful to settle the case by submitting Civil ruling

The attached notes are integrant part of these consolidated interim financial statements

2969/26.09.2018, pronounced by the High Court of Cassation and Justice under file 3014/2/2014, pertaining to cancelling Decision 743/2014 of ANRE President.

Settlement of Mehedinti Tribunal by Ruling 163 / 20.06.2019: It admitted the exception of decline. It partly admits the main issue and associated contestation. It compelled the defendant to pay to the claimant the amount of 16,950 Lei accrued receivable during the procedure, judging to record it in the creditors' table constituted against debtor RAAN by this sum. The other associated demands were denied. In accordance with article 453 para 2 from the Civil Procedural Code it compelled the defendant to pay 1 Lei law court expenses to the claimant. Appeal right was granted. It was pronounced at public hearing. Document: Ruling 163/20.06.2019.

On the 06.11.2019 hearing date the appeal was rejected as groundless; final decision. Ruling 846/06.11.2019.

Transelectrica filed a review request for contradictory decisions registered under file **1711/54/2019** hearing term on 26.03.2020 with the Appeal Court Craiova, which will refer the file to the High Court of Cassation and Justice for competent settlement.

On 21.05.2020 the case was taken out of the docket with the following settlement: the exception of Appeal Court Craiova's material incompetence was admitted and the case was referred to ICCJ, Administrative and Fiscal Disputes Section; Ruling 140/21.05.2020.

On the 03.02.2021 hearing term ICCJ admitted the exception of tardive review request and did no longer pronounce on its inadmissibility.

Under RAAN's bankruptcy file registered under number **9089/101/2013**, Mehedinti Tribunal deferred the case on 08.10.2020 and 04.02.2021 terms. Settlement in brief: a term was granted to continue liquidation procedures, to represent the debtor's interests in the disputes on the dockets of law courts; to consolidate the creditors' list; to continue public auctions capitalising the debtor's assets.

At 15.06.2023, a deadline was granted for the continuation of the procedure, respectively for the capitalization of the assets, the collection of debts and the fulfillment of the other liquidation operations, and the next deadline is set for the date of **05.10.2023**.

Between RAAN and Transelectrica there are other 4 files under various court terms.

• **COURT OF AUDITORS**

Following an audit carried out in 2013, the Court of Auditors ordered certain measures to be implemented by the Company as a result of certain deficiencies found during the audit. The decision and ruling issued by the Court of Audit were appealed at the Bucharest Court of Appeals, constituting case no. 1658/2/2014, with the subject of "annulment of audit acts" – Ruling no. 7/20.02.2014 issued by the Court of Auditors.

On 13.06.2018, the claimant's action is partially granted. Annuls in part Conclusion No 7/20.02.2014, Ruling No 37/9.12.2013 and audit report No 35521/6.11.2012 issued by the defendant in relation to the measures ordered through the decision referred to in paragraph 1 above. I.1, I.3, I.6, I.8, I.11, II.14, II.15, II.17, II.18, II.20, II.21, II.22 and partially the measure at points I.1, I.3, I.6, I.8, I.11, II.14, II.15, II.17, II.18, II.20, II.21, II.22 and partially the measure at points I.1, I.6, I.8 and I.11. II.13 in the sense of removing the phrase "including those found in the case of invoices issued by FLOREA ADMINSTRARE IMOBILIARĂ SRL". In all other respects, the claimant's action is dismissed as groundless. Approves the technical electroenergetic expertise report prepared in the matter by expert Toaxen Vasile. Orders the defendant to pay the claimant the amount of 121 legal expenses (partial expert fee and judicial stamp duty). Decision document 2771/13.06.2018.

Transelectrica filed an appeal on 14.06.2019.

At the public hearing of 21.10.2020, dismisses the appeals brought by the claimant and the defendant against ruling No 2771 of 13 June 2018 issued by the Bucharest Court of Appeals – Eighth Division Administrative and Fiscal Court - as groundless. Final.

During the audit conducted in 2017, the Court of Auditors ordered certain measures to be implemented by the Company as a result of deficiencies identified during this audit. The Company lodged several appeals against the measures ordered by the Court of Auditors of Romania (CCR) through Ruling no. 8/27.06.2017, requesting their annulment, as well as Ruling no. 77/03.08.2017, registered at the Company's registry under no. 29117/08.08.2017, respectively the Audit Report no. 19211/26.05.2017. The appeals were on the docket of the Bucharest Court of Appeals, including case no. 6581/2/2017

concerning the annulment of findings at point 6 as well as the measure ordered at point II.9, for the hearing on 31.03.2023: According to the minutes of 29.03.2023, case no. 6581/2/2017 was assigned to Panel 12 of the Eighth Division of Administrative and Fiscal Court under no. 6581/2/2017. The summary decision: In order to give the parties the opportunity to submit written conclusions and to deliberate, postpones the ruling to the following dates: 31.03.2023, 13.04.2023, 28.04.2023, 12.05.2023.

During the hearing on 26.05.2023, the request was granted. Annulled in part Ruling No 77/03.08.2017, in so far as it rejected point 6 of Appeal No 26140/17.07.2017, Ruling No 8/27.06.2017 in so far as it rejected the findings in point 6 and the measure ordered in point 11.9, and Audit Report No. 19211/26.05.2017 in respect of the findings in point 3.2. Orders the defendant to pay the claimant the total amount of 10 as court expenses, representing judicial stamp duty and the fee of the judicial expert. Subject to appeal within 15 days of communication. Ruling 920 on 26.05.2023

The remaining cases have been definitively settled, through the dismissal by the Bucharest Court of Appeal of the request for annulment and the dismissal of the appeals by the High Court of Cassation and Justice (case no.6574/2/2017 concerning the annulment of the findings in point 5.2 and the measure ordered in point II.8, file no.6576/2/2017 concerning the annulment of findings in points 7.1, 7.2 and 8 as well as the measure ordered in point II.10, which became new case no. 2985/1/2021, in which on 24.11.2022 the ICCJ declared null and void the appeal filed by the Company, final, case no.6577/2/2017 on the annulment of the findings in point 13 and the measure ordered in point II.13, now case no.1614/1/2020, case no.6578/2/2017, on the annulment of the findings in point 9 and the measure ordered in point II.11, case no.6580/2/2017 on the annulment of the findings in paragraph 10 and the measure ordered in paragraph II.12, case No 6582/2/2017 on the annulment of the findings in paragraph 11 and the measure ordered in paragraph I.5 and case No 6583/2/2017 on the annulment of the findings in paragraph 5.1 and the measure ordered in paragraphs II.7 and II.8).

During the period of January to July 2020, the Court of Auditors of Romania carried out an audit at all the Territorial Transmission Units of NPG Co. Transelectrica, and between 25.05-27.08.2020, the audit continued at the executive headquarters of the Company. The theme of the audit action of the CCR was , "control of the situation, evolution and management of the public and private assets of the state, as well as the legality of the revenue generation and expenses performance for the period 2017-2019" at NPG Co. Transelectrica SA".

The audit action on the above-mentioned topic, which started on 25.05.2020 at the executive headquarters of the Company, was suspended by the Court of Auditors on the grounds of initiating another audit on the topic "control of the management of public resources during the state of emergency". The audit began on 02.06.2020 and was concluded on 26.06.2020.

The Audit Report concluded by the auditors of the CCR on the topic " control of the management of public resources during the state of emergency", report registered with the Company under no. 24225/26.06.2020, did not find any deficiencies, therefore no Decision ordering measures was issued.

After the completion of the audit regarding the management of public and private state assets, as well as the legality of the revenue generation and expenses performance for the period 2017-2019, audit concluded on 06.10.2020, the Audit Report no.40507/06.10.2020 was issued and on 09.11.2020, the Court of Auditors of Romania, through Department IV, issued Decision no. 15 containing 10 measures, with a deadline for implementation on 31.05.2021, which was extended by the CCR at the request of the Company, until 31.12.2021.

The company raised objections and filed Appeal no.50090/26.11.2020 registered at the Court of Auditors under no.139775/26.11.2020, requesting the annulment of the measures. Following the examination and analysis by the CCR auditors of the Appeal filed by the Company, by Conclusion No. 2 of 10.03.2021, the annulment of one of the 10 measures ordered was granted.

On 02.04.2021, the Company filed an appeal for the annulment of the administrative act, case registered at the Bucharest Court of Appeal under no. 2153/2/2021.

During the hearing on 10.12.2021, the CAB dismisses the Company's claim as groundless. Dismisses the request for suspension as groundless. With a right of appeal within 15 days from the communication. There is a right to appeal within 15 days from communication and a right to appeal within 5 days from communication regarding the part of the request concerning suspension. The second appeal request is to be submitted to the Bucharest Court of Appeals.

- **OPCOM**

On the dockets of the Bucharest Court, file no. 22567/3/2019, which is about "claims", file in which the Company is the plaintiff, the defendant being OPCOM SA.

Through the sue petition, the plaintiff NPG Transelectrica SA requested the court that, by the judgment it will pronounce, to order:

- obliging the defendant OPCOM SA to pay the amount of 4,517 RON, related to the invoice series TEL 16 AAA no. 19533/29.07.2016, representing the value of the VAT related to the contribution brought by NPG Transelectrica SA to the share capital of OPCOM SA, issued on the basis of Loan Agreement no. 7181RO/2003, commitment for the financing of the "Electricity Market Project" investment project;

- obliging the defendant OPCOM SA to pay the amount of 1,294 RON related to invoices TEL 19 T00 no. 17/28.01.2019 and TEL 19 T00 no. 131/10.07.2019, representing the legal penalty interest, calculated for non-payment on time of the invoice series TEL 16 AAA no. 19533/29.07.2016.

- obliging the defendant OPCOM SA to pay trial expenses.

At the trial date on 03.07.2020, the court discussed the request of the parties to suspend the trial of file no. 22567/3/2019, formulated by OPCOM reserving judgement.

At the trial date on 17.07.2020, the court pronounced the following solution in short: Suspend the trial of the case until the final settlement of file no. 31001/3/2017, having as its object an action to annul the decision of the General Meeting of Shareholders of Opcom (in which Transelectrica is not a party and in which on 01.02.2021 it was decided to reject the declared appeals, the solution being final).

After the final settlement of file no. 31001/3/2017, CNTEE Transelectrica SA filed a request to reinstate file no. 22567/3/2019, as the reason for suspending the case no longer existed. The Bucharest Court put the case back on the docket, setting a trial date for 05.11.2021.

At this trial date, after the appeal filed in the case, the court gave the floor to the parties on the "exception of the prescription of the material right to action". After the oral submissions by the parties on this exception, the court reserved the judgement, postponing the ruling to 03.12.2021.

On 03.12.2021, the Bucharest Court pronounced the following solution in short: "Admits the exception of the prescription of the substantive right to action. Dismiss the action as time-barred. "Document: Decision 3021/2021 03.12.2021".

The company declared appeal. The court rejects the appeal as unfounded. It obliges the appellant to pay to the respondent the sum of 11 as court costs. With appeal within 30 days from the communication of the decision. Decision 1532/12.10.2022. Transelectrica filed an appeal against the Civil Decision no. 1532/12.10.2022 issued by the CAB, the file being submitted to the ICCJ in the filter procedure with a deadline of **19.09.2023**.

Before the Bucharest Court, file no. **24242/3/2021**, in which the plaintiff is OPCOM SA, and NPG Transelectrica SA is the defendant.

The purpose of this file is to establish the nullity of the act - contribution in kind, materialized through intangible assets, the trading platform - the Commercial Exchange and the Regional Electricity Exchange, financed by loans contracted by NPG Transelectrica SA from IBRD, based on loan agreement no. . 7181RO/17.07.2003, as well as from NPG Transelectrica SA's own sources, which were made on the basis of service contracts and deliverables no.: P081406-O-C.78, P081406-O-C.125 and P081406-O-C.300/2005, materialized by AGEA Decision no. 6/15.06.2016 and, subsequently, AGOA Decision no. 2/25.05.2017 and AGOA Decision no. 7/24/05/2018.

At the court date of 11.04.2022, the court discussed the exceptions invoked by NPG Transelectrica SA, by response. Also, at this term, the proposed evidence to be administered in this case was discussed. The court postponed the trial of the case to the fixed term of 22.11.2022, in order to administer the evidence with the financial-accounting expertise to be carried out in this file. After several postponements, the next deadline is set for 27.06.2023 for lack of expert report. At the deadline of 27.06.2023, based on the decision of the General Assembly of Bucharest Court Judges no. 4/20.06.2023, orders the postponement of the case, the next deadline is set for **10.10.2023**.

- **CONAID COMPANY**

In 2013, Conaid Company SRL sued NPG Transelectrica for its unjustified refusal to sign an addendum to the connection contract or a new connection contract and requested compensation for the expenses

incurred up to that point in the amount of 17,420 and unrealized profits for the period 2013-2033 in the amount of EUR 722,76 mil. Until this moment, the Company has not concluded an addendum to the connection contract because the suspensive conditions included in the contract have not been fulfilled by Conaid Company SRL. A new connection contract should have been concluded by March 11, 2014, the date on which the technical approval for connection expired. File no. 5302/2/2013 was on the docket of the High Court of Cassation and Justice, Administrative and Fiscal Litigation Section, having as its object the obligation to issue an administrative act, the procedural stage – appeal, the trial term being 09.12.2015. At this term, the High Court of Cassation and Justice admitted, in principle, the appeals and set a deadline for the trial, on the merits, of the appeals on April 8, 2016. Complete 4, with the citation of the parties.

The judgment of the case was postponed to 17.06.2016, when the court remained in judgment, postponing the judgment to 29.06.2016, when it issued Decision no. 2148/2016, by which it ordered the following: "Rejects the exceptions invoked by the appellant-plaintiff Conaid Company S.R.L., through the judicial administrator RVA Insolvency Specialists SPRL and by the appellant-defendant Compania Națională de Transport a Energiei Electrice Transelectrica S.A. Admits the appeal declared by the defendant Compania Națională de Transport al Energiei Electrice Transelectrica S.A. against the decision of the meeting of February 18, 2014 and the civil sentence no. 1866 of June 11, 2014, pronounced by the Bucharest Court of Appeal - Section VIII administrative and fiscal litigation. Overturns the challenged conclusion and the sentence in part and sends the case to the Bucharest Court – Civil Section VI for the resolution of the plaintiff's action against Transelectrica S.A. Maintains the other provisions of the sentence regarding the plaintiff's action against the National Energy Regulatory Authority. It rejects the appeals declared by the plaintiff Conaid Company S.R.L., through the judicial administrator RVA Insolvency Specialists SPRL and by the intervener Duro Felguera S.A. against civil sentence no. 1866 of June 11, 2014, pronounced by the Bucharest Court of Appeal - Section VIII administrative and fiscal litigation. Rejects the appeal declared by the defendant Compania Națională de Transport al Energiei Electrice Transelectrica S.A. against the conclusion of the meeting of March 25, 2014, issued by the Bucharest Court of Appeal - Section VIII administrative and fiscal litigation. Definitive. Pronounced in public session, on June 29, 2016.

On the role of the Bucharest Court - VI Civil Section, the case was registered under no. 12107/3/2017. By civil sentence no. 4364/23.11.2017, the Court admits the exception of inadmissibility and rejects the request as inadmissible. It also rejects the request for intervention in the interest of the plaintiff. With appeal within 30 days of communication. The appeal was submitted to the Bucharest Court, Civil Section VI and available to the parties through the registry, on 23.11.2017.

On 02.11.2018, a new summons request filed by Conaid Company SRL, in file no. **36755/3/2018**, by which the plaintiff requested the court to order the obligation of Transelectrica SA to "repair the damage caused to the plaintiff, as a result of the defendant's culpable failure to fulfill its obligations, in the amount of 17,216, consisting of the damage actually suffered and the unrealized benefit, provisionally estimated at 100 thou. euros. Considering the unjustified refusal of Transelectrica SA to conclude and sign an addendum to Contract no. C154/27.04.2012, and in the situation where the court will consider that, from a formal point of view, the obligation regarding the suspensive conditions cannot be considered fulfilled by the plaintiff, this non-execution is due to the exclusive fault of Transelectrica SA, the defendant preventing the fulfillment of the conditions".

At the deadline of 15.10.2019, reject as unfounded the exceptions of lack of active procedural quality and lack of interest. It unites with the fund except for the prescription. With appeal together with the fund. Pronounced by making the solution available to the parties through the mediation of the court registry.

Grants a deadline for the continuation of the investigation of the process on 26.11.2019, with the summoning of the parties. With appeal together with the fund. Pronounced by making the solution available to the parties through the mediation of the court registry.

It is postponed for the administration of evidence with expertise and a deadline of 21.01.2020 is granted.

On 21.01.2020, the case is postponed to carry out the expertise and the next term is granted on 31.03.2020.

At the term of 31.03.2020, the short solution was the following: Suspended by law based on art. 42 paragraph 6 of the Decree of the President of Romania 195/2020 regarding the establishment of the state of emergency on the territory of Romania, for the entire period of the state of emergency.

After the court dates of 28.09.2022, 07.12.2022, 22.02.2023, 03.05.2023 in which the case was postponed, the new court date is **13.09.2023**.

• **ROMENERGY INDUSTRY**

File no. 2088/107/2016 before the Alba Tribunal has as its object "Bankruptcy - Application for enrollment in the credal table". Transelectrica submitted an application for registration to the credit table with the amount of 16,112, and the claim was admitted and entered in the preliminary table.

The solution in short: I set a deadline of 14.10.2019, for the continuation of the bankruptcy procedure, through the capitalization of assets and the recovery of debts. The judicial liquidator will draw up and submit to the file: - every 15th of the month, for the previous month, the monthly activity reports provided for in paragraph 1 of art. 59 Law 85/2014; - for the verification term, 5 days before the term, the summary report at 120 days, provided by the final part of par. 3 of art. 59 Law 85/2014.

On 11.05.2020, the trial was suspended by right, for the duration of the state of emergency, established on the territory of Romania.

At the deadline of 22.06.2020, the case was postponed. The solution in short: the report on the funds obtained from the liquidation of the debtor's assets and the distribution plan dated 06.03.2020 was approved.

The case was postponed to the deadline of 18.01.2021. The solution in short: Report no. 1334 on the funds obtained from the liquidation of the debtor's assets and Plan no. 1335 distribution of funds.

At the deadline of 16.05.2022, a deadline of 19.09.2022 is set for the continuation of the bankruptcy procedure, through the capitalization of assets and the recovery of debts.

On 19.09.2022, a deadline of 12.12.2022 is set for the continuation of the bankruptcy procedure, through the capitalization of assets and the recovery of debts.

At the deadline of 12.12.2022, the court approves the final report drawn up by the judicial liquidator New Insolvency SPRL, coordinating associate Bica Rosana. Based on art. 175 para. 2 of Law no. 85/2014, closes the bankruptcy procedure concerning the debtor ROMENERGY INDUSTRY S.R.L. Orders the debtor company to be deleted from the trade register. In accordance with the provisions of art. 180 of the law, the syndic judge and the judicial liquidator are relieved of any duties or responsibilities regarding the procedure, the debtor and her assets, creditors and associates. With right of appeal within 7 days of communication through BPI. Procedure for settling appeals against the closing decision.

At the deadline of 04.06.2023, the appeal against Sentence no. 293/F/2022 pronounced by the Alba Court in file no. 2088/107/2016. Definitive. Decision no. 134/06.04.2023.

• **RESITA MUNICIPALITY**

File no. **2494/115/2018*** - file no. **2494/115/2018****, registered on the roll of the Caras Severin Court, is the subject of the summons, by which the plaintiff Resita Municipality requests the obligation of the defendant Transelectrica SA to pay the following amounts:

- 2,130, representing the rent for the temporarily occupied land area from the forestry fund related to 2015;

- 2,130, representing land rent related to 2016;

- 2,130, representing land rent related to 2018;

- 2,130, representing land rent related to 2019;

- 2,130, representing land rent related to 2020;

- punitive legal interest from the due date until actual payment.

The solution in short: Accept the exception of territorial non-competence of the Caras-Severin Tribunal. It declines the competence to resolve the request made by the plaintiff Resita Municipality - through the mayor, contrary to the defendant "Transelectrica" SA, in favor of the Bucharest Court. No appeal, according to art. 132 paragraph 3 of the Code of Civil Procedure. Pronounced in public. Decision 313/11.03.2019.

At the deadline of 25.10.2019, the exception of the territorial incompetence of the Bucharest Court is admitted. It declines the competence to resolve the case in favor of the Caras-Severin Court. It states that there is a negative conflict of jurisdiction between the Bucharest Court and the Caras-Severin Court. Suspend the case and forward the file to the High Court of Cassation and Justice, in order to resolve the negative conflict of jurisdiction. No recourse. Decision 2376/25.10.2019.

The High Court of Cassation and Justice at the deadline of 16.07.2020, by decision no. 1578, established the competence to resolve the case in favor of the Caras Severin Court – Civil Section I.

File no. **2494/115/2018**** at the term of 22.03.2021, the short solution is: Suspend the trial of the

summons request filed by the plaintiff Resita Municipality, through the Mayor, in opposition to the defendant "Transelectrica" SA, having as its object claims, in the basis of art. 413 paragraph (1) point 1 of the Civil Code With appeal, how long does the suspension of the course of trial of the trial last, to the hierarchically superior court.

The suspension of the judgement of the case was ordered until the final settlement of file no. 3154/115/2018* of the Caraş Severin Court.

At the trial date on 19.01.2023, the solution in short is: Rejects the exception of the non-stamping of the petition considering that the defendant does not have the necessary capacity to invoke the method of establishing the stamp duty. It rejects the exception of the lateness of the formulation of the amending request of the sue petition. Prolongs the discussion on the exception of the positive effect of res judicata authority until the deadline when the decision of the High Court of Cassation and Justice will be submitted in its entirety in file no. 3154/115/2018**. Prolongs the ruling on the probation requests consisting of the evidence with the defendant's interrogation and the accounting expertise. Postpones the trial of the case and establishes a trial date on 02.03.2023.

At the trial date on 02.03.2023, the solution in short is: "suspends the trial of the sue petition filed by the plaintiff Reşita Municipality, in opposition to the defendant Compania National de Transport al Energiei Electrice "Transelectrica" SA, having as object claims. With the right of appeal throughout the suspension of the trial."

- **NAFA**

In 2017, the general fiscal inspection started at the headquarters of Transelectrica SA on 14.12.2011 was completed, which covered the period from December 2005 to December 2010. The general fiscal inspection began on 14.12.2011 and ended on 26.06.2017, the date of the final discussion with Transelectrica SA.

As a result of the completion of the control, NAFA - DGAMC has established additional fiscal obligations to be paid by the Company, namely profit tax and VAT, as well as additional fiscal obligations (interests/late increases and late penalties) related to the system services system technology charges (STS) billed by energy suppliers, considered non-deductible following the fiscal inspection.

According to the Taxation Decision no. F-MC 439/30.06.2017 in the total amount of 99,013, NAFA – DGAMC established additional fiscal payment obligations by the Company, in the amount of 35,105, as well as additional fiscal obligations (interest/ late payment increases and delay penalties), in the amount of 63,908.

Mainly, the Fiscal Inspection Report of NAFA recorded the following additional payment obligations: profit tax in the amount of 13,727, as well as accessories, due for a number of unused invoices identified as missing (they were destroyed in the fire broke out on the night of June 26-27, 2009, at the workplace in the Millenium Business Center building in Armand Călinescu Street no. 2-4, sector 2, where the Company was operating), documents with special regime.

These invoices were the subject of a dispute with NAFA, which issued a fiscal inspection report on September 20, 2011, which estimated the VAT collected for a number of unused invoices identified as missing.

The company appealed within the legal term, according to OG no. 92/2003 regarding the Fiscal Procedure Code, Taxation Decision no. F-MC 439/30.06.2017.

NAFA issued enforcement title no. 13540/22.08.2017 on the basis of which the additional payment obligations established by the Taxation Decision no. F-MC 439/30.06.2017.

The company requested the cancellation of executive title no. 13540/22.08.2017 at the Court of Appeal - file no. 7141/2/2017. The solution in short: Admits the exception of material incompetence of the Bucharest Court of Appeal - SCAF. It declines in favor of the Bucharest District 1 Court the material competence to resolve the case. No recourse. Pronounced in public session from 08.02.2018. Document: Decision no. 478/2018 of 08.02.2018.

Following the decline of jurisdiction, the case file no. 8993/299/2018, by which the Company challenged the enforced execution started pursuant to enforcement title no. 13540/22.08.2017, which is based on Taxation Decision no. F-MC 439/30.06.2017.

Following the Company's contestation of the fiscal administrative act Decision no. F-MC 439/30.06.2017, NAFA notified the Company Decision no. 122/13.03.2018 rejecting as unfounded the appeal filed by NPG

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Transelectrica SA, the decision being received on 16.03.2018, after the submission of the request for summons which is the subject of file no. 1802/2/2018.

The solution in short: Admits the request for suspension of the judgment formulated by the appellants. Based on art. 413 para. (1) point 1 of the procedural code. civil court suspends the trial until the final settlement of file no. 1802/2/2018, pending at the Bucharest Court of Appeal, Section VIII administrative and fiscal litigation. With appeal for the entire duration of the suspension, the request for appeal will be submitted to the District 1 Court of Bucharest. Document: Termination - Suspension 04/17/2018.

The Court of Appeal has file no. **1802/2/2018** by which the Company challenged the fiscal administrative act Decision no. F-MC 439/30.06.2017.

At the court term of 06.11.2018, the administration of evidence was admitted with the expertise in the accounting - taxation specialization.

At the CAB court date of 21.07.2020, the ruling was postponed. On 30.07.2020, the case was put back on the docket, for additional clarifications.

At the deadline of 20.10.2020, the request was partially admitted with the following brief solution: the lis pendens requests were partially admitted.

It was canceled in part Decision no. 122/13.03.2018, regarding the settlement of the appeal filed against the Taxation Decision no. F-MC 439/30.06.2017, issued by the National Tax Administration Agency - General Directorate for the Resolution of Appeals, Taxation Decision no. F-MC 439/30.06.2017, issued on 12.07.2017, by the National Fiscal Administration Agency - General Directorate for the Administration of Large Taxpayers, Taxation Decision no. F-MC 439/30.06.2017, issued by the National Tax Administration Agency - General Directorate for the Administration of Large Taxpayers and the Tax Inspection Report no. F-MC 222 concluded on 30.06.2017, which was the basis for issuing the tax decision, in the sense that:

removes the obligation to pay profit tax in the amount of 18,522, VAT in the amount of 5,695 and the related fiscal accessories, in the amount of 48,437, fiscal obligations established for the 349 fiscal invoices with a special regime found to be missing from the applicant's management.

removes the non-deductible nature of the taxable profit calculation of the amount of 27,002, representing the system services invoiced by the energy suppliers, considered non-deductible following the fiscal inspection and the obligation to pay the main and accessory fiscal claims in relation to this amount.

removes the non-deductibility when calculating the taxable profit of the amount of 344, representing "weed removal services" and the obligation to pay the main and accessory fiscal claims in relation to this amount

removes the non-deductibility when calculating the taxable profit of the amount of 230,685, representing expenses with products of a promotional and protocol nature and the obligation to pay the main and ancillary fiscal claims in relation to this amount.

removes the non-deductibility of VAT in the amount of 46, related to the amount of 344, representing "weed removal services" and the obligation to pay the main and ancillary fiscal claims related to this amount.

removes the non-deductible nature of VAT in the amount of 38 related to the amount of 231, representing expenses with products of the promotional and protocol nature and the obligation to pay the main and accessory fiscal claims in I match with this amount.

remove the mention regarding the obligation of the Sibiu Transport Branch within NPG Transelectrica S.A to register the amount of 577 as taxable income, at the latest on 30.06.2010, the date on which the unit's registration was accepted verified at the credit table with this amount, the mention regarding the character of taxable income when calculating the profit of the amount of 577 in accordance with the provisions of art. 19 para. 1 of Law no. 571/2003 regarding the Fiscal Code with subsequent amendments and additions, in conjunction with point 23 letter d from GD 44/2004 including the methodological norms for the application of Law no. 571/2003, the chapter related to the profit tax, respectively chapter VII the function of the accounts from Order no. 3055 of October 29, 2009 for the approval of the Accounting Regulations in accordance with the European directives and the obligation to pay the main and accessory fiscal claims in relation to this amount.

removed from the Process- Verbally, the finding made regarding "the determination of the deductible value added tax lower than that registered by the plaintiff, thus resulting in a difference in the amount of

13" (annex no. 15) and the obligation to pay the main and accessory fiscal claims in relation to this amount

removes the obligation to pay late penalties that have a legal sanctioning regime, calculated for a period longer than 6 months from the date of the start of the fiscal inspection, regarding the main fiscal obligations that were maintained to the court by this decision, as established by Taxation Decision no. F-MC 439/3 06.06.2017, issued on 12.07.2017, by the National Agency for Tax Administration - General Directorate for the Administration of Large Taxpayers, Taxation Decision no. F-MC 439/30.06.2017, issued by the National Agency for Tax Administration - Directorate General Administration of Large Taxpayers and by Decision no. 122/13.03.2018, regarding the resolution of the appeal filed against the Taxation Decision no. F-MC 439/30.06.2017, issued by the National Agency for Fiscal Administration - General Directorate for Resolution of Appeals.

Maintains the other provisions contained in Decision no. 122/13.03.2018, regarding the resolution of the appeal filed against the imposition Decision no. F-MC 439/30.06.2017, issued by the National Agency for Fiscal Administration - General Directorate for Resolution of Appeals, Decision on imposition no. F-MC 439/30.06.2017, issued on 12.07.2017, by the National Tax Administration Agency - General Directorate for the Administration of Large Taxpayers, Taxation Decision no. F-MC 439/30.06.2017, issued by the National Agency of Fiscal Administration – General Directorate for Administration of Large Taxpayers. Rejects the rest of the *lis pendens* requests as unfounded. Rejects as unfounded the request for court costs consisting of the judicial stamp duty. It obliges the defendants, jointly and severally, to pay to the plaintiff court costs in the amount of 4 thou., representing the fee for carrying out the expertise in the accounting-tax specialty, proportional to the admission of the request. With the right of appeal within 15 days from the communication, the appeal request to be submitted to the Bucharest Court of Appeal. Decision no. 382/20.10.2020.

The parties appealed in March 2022.

At the meeting on 24.05.2022, the CAB rejects as unfounded the request for clarification and completion of the device. Accept the request to correct the material error in the sense that the sums of money as main and accessory tax obligations, related to the 349 tax invoices, as they appear in the contested taxation decision, will be mentioned as correct. Orders the correction of the material error in the sense of removing the wrong name of the plaintiff from the content of the appealed sentence. With recourse within 15 days of communication.

The parties have appealed. The case is in the filter procedure at the ICCJ. Deadline **13.12.2023**.

The company is involved in adversarial litigation with SMART and Teletrans Subsidiaries as follows:

I. Disputes in contradiction with Subsidiary SMART SA

- **File 48509/3/2017 registered with Bucharest Tribunal, Section VI Civil**

File object: NPG Transelectrica SA requests by suit to compel SMART SA to:

- Restitute to our company 7,652, which is added VAT, as prejudice incurred by our company as a result of defendant's enrichment without just cause, in the main, and as undue payment, in the second place;
- Compelling the defendant to pay the unrealised benefits associated to the amount paid as enrichment with no just cause, in principal and as undue payment in the secondary, calculated from the date when the undersigned made the undue payments to the defendant until notifying the law court, in quantum of **2,773**, as well as compelling the defendant to further pay the unrealised benefits until the defendant's actual repayment of the amount representing the principal debt.

File stage: Rejects the summons request as unfounded. With the right of appeal within 30 days from the communication, the appeal request to be submitted to the Bucharest Court - Civil Section VI. Pronounced by making the solution available to the parties through the court registry. Document: Decision 741/12.04.2022. Transelectrica declared appeal, which was rejected on 31.10.2022. On 07/06/2022, Transelectrica filed an appeal, the case has no fixed trial date, the solution being final.

Remarks about the circumstances that initiated the proceedings:

Between 16.01.2017 - 26.05.2017, our Company was subject to a control of Romania's Court of Audit, performed by a team of external public auditors from the Court of Audit's Department IV. After such control they issued the Audit Report recorded in the Company under no. 19211 of 26.05.2017, which our Company contested; later on CCR issued Decision 8/27.06.2017.

On pages 116-117 of the Audit Report, pt. 9, the Court of Audit's control team retained that in 2014, based on contract **C57/31.01.2012**, Transmission Branches: Bucharest, Pitesti, Sibiu and Constanta of NPG Transelectrica SA, according to the work orders to replace the 220 kV, 110 kV and 245 kV circuit breakers, accepted invoices for payment (with payment statements attached certified by the Transmission Branches and Smart Branches) with work statements elaborated by Smart Branches where breakers procured at overvaluated prices were included under materials, which were added 30% indirect expenses and 5% profit, which led to inefficient utilization of monetary funds in estimated amount of 7,652.

- **File no. 40958/3/2016 – Bucharest Tribunal**

File object:

Transelectrica in its capacity of claimant requests compelling SMART SA to pay 2,797, including VAT + 1,212, representing accessories.

File stage:

TMB settlement: The exception of the prescription of the right to action, invoked by the defendant, was admitted. The action was dismissed as time-barred. The applicant's claim that the defendant should be ordered to pay the costs was rejected as groundless. With appeal within 30 days of notification. Document: Decision 2667/2021 29.10.2021.

CAB solution 10.05.2022: Rejects the appeal as unfounded.

Transelectrica declared an appeal on 16.06.2022, which is in the filter procedure at the ICCJ, with intermediate term **19.09.2023**.

- **File no. 24360/3/2020 – Bucharest Tribunal**

File object:

SMART SA requested the obligation of Transelectrica to pay the amount of 14.75 thou. euros + VAT, eq. 38 concrete foundations, 98.28 thou. euros + VAT, eq. additional works canal execution, 112 + VAT, eq. Mecano type rakes, legal interest.

File stage:

TMB settlement: the extinction prescription exception was allowed. The objection of inadmissibility was qualified as a substantive defense. The action was dismissed as statute-barred, the material right to action. With the right to appeal within 30 days from the notification to the parties. The appeal is to be filed at the headquarters of the Bucharest Tribunal, Civil Section VI. Delivered in open court on May 10, 2021. Document: Decision 1263/2021; SMART filed appeal.

CAB settlement in brief: The appeal has been accepted. The appealed sentence was annulled and, judging on the substance, the exception of the extinctive prescription of the material right to action was admitted. The action was dismissed as time-barred. The appellant's claim that the respondent should be ordered to pay the costs was rejected. With an appeal within 30 days from the notification. The appeal is submitted to CAB - Civil Section VI. Delivered in open court on 11.02.2022. Document: Decision 247/2022.

SMART SA has appealed to the ICCJ. Solution on 11.10.2022: The appeal declared by the appellant-plaintiff SMART SA against civil decision no. 247 A of February 11, 2022 was cancelled, pronounced by the Bucharest Court of Appeal – Civil Section VI. Final.

- **File no. 51633/299/2021 - Bucharest Tribunal**

File object:

SMART SA requested the obligation of Transelectrica to pay the amount of 118 thousand + VAT, representing "expenses with assistance services, engaged on the account of the Company as well as the payment of unrealized benefits (legal interest).

File stage:

Solution of the Court District 3 Bucharest: Rejects, as unfounded, the request. With right of appeal within 30 days of communication. Document: Decision 6134/2022 21.06.2022.

On 02.11.2022 SMART SA filed an appeal against the Civil Sentence no. 6134/21.06.2022 pronounced by the Bucharest District Court 3.

- **File no. 15561/3/2022 - Bucharest Tribunal**

The attached notes are integrant part of these consolidated interim financial statements

File object:

SMART SA requested the obligation of Transelectrica to pay the sum of 4,47 mil regarding the execution of an administrative contract.

File stage: A trial date was set in court on **09.11.2023**.

II. Disputes in contradiction with Subsidiary TELETRANS SA

- **File 16216/3/2017 registered with Bucharest Tribunal, Section VI Civil**

The file received a new number 153/2/2021 at CAB - Administrative and Fiscal Litigation Section

File object:

By its summons Teletrans SA requested the court:

- To ascertain as fully provided the services under contract 03/2007, as added;
- In subsidiary to ascertain that services under contract 03/2007, as added, were provided and partially accepted;
- To oblige Transelectrica to pay 4,649, which is added VAT in amount of 883, representing the amounts of invoices 115/2017, 123/2017 up to 143/2017;
- To oblige Transelectrica to pay 214 thou. Euro which is added VAT, at the exchange rate of the invoice issuance dates, representing the amounts of services provided and partially accepted in the contractual period May 2014 – November 2016, "in subsidiary if request petition II is admitted and not request petition I";

File stage:

Settlement in brief: It admitted the exception of prescription of the material right to the suit regarding fiscal invoices for February – March 2014. It denied the request pertaining to invoices 115/01.03.2015 and 123/01.03.2017 as written off. It denied the remaining request items as groundless; appeal within 30 days from notification, to be submitted to Bucharest Tribunal, Section VI Civil. It was pronounced at public hearing on 22.04.2019. Document: Ruling 1064/2019 / 22.04.2019.

The file received a new number 153/2/2021 at CAB - Administrative and Fiscal Litigation Section, in which a negative conflict of competence arose, and the case was submitted to the ICCJ for the establishment of the competent section. The ICCJ has established that the competent section is Section VI of the CAB.

Hearing term: 18.08.2021. Settlement in brief: The objection of inadmissibility of the appeal was allowed. The appeal was dismissed as inadmissible. From the date of communication of the present decision, reported to the provisions of art. 457 paragraph 3 of the Code of Civil Procedure, the term for the exercise of the appeal begins to run. Final. Document: Decision no. 1214 / 06.09.2021.

At Section VI - a of the Bucharest Court of Appeal, the case with the appeal filed by Teletrans SA received number **3684/2/2023**, with a trial date of **17.11.2023**.

Remarks about the circumstances that led to the dispute:

After the control performed in January–March 2017 at Teletrans's the Court of Audit found that Teletrans has not recovered and cashed from Transelectrica the amount of money requested as above.

Contact C03/2007 conditions invoice issuance and acceptance for payment by our Company's representatives from branches and the executive part confirming the mentioned services in each minutes issued by the claimant.

As a result of the improper execution by Teletrans SA of services contracted under C03/2007, the local Minutes of work acceptance were not endorsed by most Transmission Branches, for which reason the Divisions developing contract C03/2007 have not accepted either the centralising monthly Minutes of work acceptance.

➤ **OTHERS**

The Company is involved in significant disputes especially to recover trade receivables (e.g. : Eco Energy SRL , Petprod SRL, Total Electric Oltenia SA, Arcelormittal Galați SA, Independent Authority for Nuclear Activities, Romenergy Industry SRL, Energy Holding SRL, UGM Energy Trading SRL, CET Iași, CET Bacău, CET Brăila, CET Govora, CET Brașov, Elsaco Energy SRL, Elsaco Esco, Arelco Power SRL, Arelco Energy SRL, Inversolar Energy SA, Opcom, Menarom PEC SA Galati and others).

The attached notes are integrant part of these consolidated interim financial statements

The Group registered allowances for value losses from clients and other disputed trade receivables, as well as for clients under bankruptcy.

At the same time the Company is involved into disputes with former Directorate and Supervisory Board members pertaining to their mandate contracts concluded by the Company with them. The Company has constituted provision for these disputes.

➤ **Control to the Subsidiaries**

• **SMART SA**

ANAF-DGAMC

On 19.10.2022, the partial tax inspection began, with the objectives - checking the legality and compliance of tax declarations and/or operations relevant to the tax inspection, the correctness and accuracy of the fulfillment of obligations in relation to the establishment of tax bases and main tax obligations looking:

- Value added tax in the period 01/01/2017-31/12/2021
- Profit tax in the period 01/01/2017-31/12/2021
- Verification of compliance with the provisions of fiscal and accounting legislation
- Verification of other issues relevant to taxation, if they are of interest for the application of accounting tax legislation.

As a result of this control, on 19.06.2023, the following were issued: fiscal inspection report F-MC_107, taxation decision F-MC_177 by which fiscal payment obligations were established in the form of an additional taxable base in the amount of 29,268 lei and profit tax in the amount of 4,683 lei and the decision on not changing the tax base F-MC-178.

The Ministry of Finance – DGIEF

On 07/05/2023, the Ministry of Finance through the General Directorate of Economic-Financial Inspection carried out a control at the SMART branch to verify the issues notified by the Government of Romania through the Prime Minister's Control Body according to address 2736/05.08.2020. The control was carried out on the basis of GEO 94/2011, Decision 101/2012, the controlled period being 01.01.2018 – 2023.

➤ **Contingencies**

As at 30 June 2023, **contingent liabilities amount** to 36,303. These relate to disputes concerning claims for additional costs following the increase in the minimum wage in the construction sector for investment contracts.

- *File no. 20780/3/2020 - claimant Energomontaj SA (7.092)*

The subject-matter of the case is claims for additional costs relating to the increase in the minimum wage in the construction sector and an order to conclude an addendum to contract C54/2018.

The subject of contract C54/2018 is the investment project - Refurbishment of 220/110 kV Craiova Nord station.

At the hearing on 24.04.2023, the summary judgment is: "Admit in part the application for the summons brought by the claimant Electromontaj SA against the defendant Transelectrica SA. Orders the defendant to pay the claimant the amount of EUR 802,886.12, exclusive of VAT, representing the additional costs incurred as a result of the increase in the minimum wage in the construction sector to the amount of 3 lei/month for the works carried out under Works Contract No. C54/27.02.2018 for the period January 2019 - January 2021. Orders the defendant to conclude an Addendum to the Works Contract No. C54/27.02.2018, the purpose of which is to update the price of the Contract by the amount of EUR 1,468,039.77, excluding VAT, representing the costs generated by the increase in the minimum wage in the construction sector to the amount of 3 lei/month as from 01.01.2019. Dismisses the remainder of the request as groundless. Orders the defendant to pay the claimant the amount of 171 as legal costs. With right of appeal within 10 days of communication. The request to appeal shall be submitted with the Bucharest Court, Civil Division VI. Pronounced by making the decision available to the parties through the court registry today, 24.04.2023. Document: Decision 1035/2023 24.04.2023."

Transelectrica has appealed. No term set.

- *File No 25896/3/2020 - claimant Electromontaj București (10.000)*

The attached notes are integrant part of these consolidated interim financial statements

The case concerns claims for additional costs related to the increase of the minimum wage in the construction sector for the investment contract C229/2015 - Switching to 400 kV voltage of the Portile de Fier - Resita - Timisoara - Sacalaz - Arad /LEA 400 kV Portile de Fier (Anina) - Reșița axis.

Hearing term: 25.08.2022 - submission of expert report.

At the hearing on 25.08.2022, ruling was deferred until 13.09.2022. On 13.09.2022, the TMB rejects the objections to the expert's report in the field of accounting submitted by the defendant as groundless. Admit the objections to the expert's report in the field of accounting submitted by the applicant. An address will be issued to the expert Cojocaru Mihaela with the mention to reply to the objections and to file the reply. With appeal against the merits.

In view of the absence of the expert's report, the case is adjourned.

At the hearing of 16.05.2023, the court adjourns the case to **12.09.2023** to file a reply to the expert objections.

- *File No 27001/3/2021 - claimant Romelectro (3.524)*

The case concerns claims for additional costs related to the increase of the minimum wage in the construction sector for the investment contract C264/2017 - Upgrade of the 110 kV Bacău Sud and Roman Nord stations on the 400 kV Moldova axis.

At the hearing on 28.04.2023, the case was adjourned for lack of expert report.

At the hearing on 23.06.2023, a new hearing date is set for **06.10.2023**, to continue the trial.

- *File No 22368/3/2021 - claimant Romelectro (2.276)*

The case concerns claims for additional costs related to the increase of the minimum wage in the construction sector for the investment contract C260/2017 - Modernisation of 110 and 400(220) kV installations in Focșani West station.

At the hearing on 24 June 2022, dismisses the application as groundless. With appeal within 10 days of service. The application for appeal shall be lodged with the Bucharest Court - Civil Section VI. Document: Ruling No 1555/2022.

- *File No 30801/3/2021 - claimant Romelectro (2.271)*

The case concerns claims for additional costs related to the increase of the minimum wage in the construction sector for the investment contract C145/2018 - Refurbishment of the 110 kV Medgidia South station.

At the hearing of 20.04.2022, the TMB's solution is: "Grant the evidence of an expert accountant with the following objectives:

- clarify to the expert whether Romelectro meets the condition set out in Article 66 of GEO 114/2018, i.e. whether 80% of Romelectro's turnover is generated from construction works, both in the year preceding the reference period (2018) and in the reference period (2019);

- to calculate the expert the cost difference generated by the increase in the salaries of the human resources actually employed by Romelectro in carrying out the work related to Contract No C145/2018, in the reference period and the first two months preceding it, respectively:

a) specify for each employee (human resource actually employed) separately whether his/her gross salary was below 3000 lei/month or higher in November and December 2018;

b) when the HR salary was increased to 3000 lei/month;

c) what is the difference between the previous salary and the salary imposed by GEO 114/2018;

d) whether during the period 01.11.2018 - 31.12.2018, Romelectro reduced the salaries of the human resources employed;

(e) specify the actual cumulative cost difference in the salary of the human resources used by Romelectro in the actual performance of the work covered by Contract No C145/2018 for the reference period.

- to determine the expert, on the basis of the analytical estimates, what is the percentage, i.e. the amount by which Transelectrica must adjust the price of Contract No. C145/2018 for the labour relating to the work remaining to be carried out on 01.01.2019, as a result of the legislative amendments introduced by GEO No. 114/2018 in order to increase the minimum wage in the construction sector to the amount of 3000 lei/month;

- to determine the expert the days/months of delay recorded in the execution of the works related to Works Contract No. C145/2018 as a result of the financing problems encountered by Romelectro S.A. following Transelectrica's refusal to pay the price at the adjusted value, respectively how the execution schedule was affected by Transelectrica's failure to adjust the price of the Contract following the legislative changes introduced by GEO 114/2018 in order to increase the minimum wage in the construction sector to the amount of 3000 lei/month.

Sets a hearing term on 29 April 2022, at 9:00 a.m., when the parties will be summoned. At the hearing on 29 April 2022, the case is deferred for the taking of evidence and the hearing is deferred to 14.10.2022.

At the hearing on 14.10.2022, the summary decision: In view of the absence of the expert report, adjourn the case and set the term for 07.04.2023.

At the hearing on 07.04.2023, the summary decision: In order to file the expert's report, adjourn the case to **15.09.2023**.

- *File No 37332/3/2021 - claimant Romelectro (4.434)*

The case concerns claims - GEO 114/2018 for the contract C112/2019 - Refurbishment of the 110kv station of the Porțile de Fier - Anina- Reșița-Timișoara-Săcălaz-Arad - 400Kv station Timișoara axis.

At the deadline of 22 June 2022, the Bucharest Court admits the plea of untimeliness. Annuls the application as untimely. With appeal within 10 days of communication. The request for appeal is filed at the Bucharest Court - Civil Section VI. Delivered today, 22.06.2022, with the decision being made available to the parties by the court registry. Document: Ruling 1502/2022 22.06.2022.

- *File No 8193/3/2022 - claimant Tempos Sev (2.437)*

The case concerns claims - GEO 114/2018 for contract C80/2018 - Refurbishment of 220/110kv station Hășdat.

At the hearing on 10 June 2022, the case is deferred to 14.10.2022. At the hearing on 14.10.2022 the case was deferred to 21.10.2022. Decision of 21.10.2022: Pursuant to Articles 258 and 255 of the Civil Procedure Code, the Court grants both parties leave to produce written evidence and the defendant also grants leave to produce evidence of the applicant's cross-examination and of an expert's report. Orders that the expert accountant's report shall have the objectives indicated by the defendant in its statement of defence, to which shall be added the additional objectives indicated by the defendant in the evidence note lodged at the hearing on 14 October 2022 and the objectives indicated by the applicant in the notes for the hearing lodged at the same hearing. The applicant is ordered to produce the documents requested by the defendant in its note for evidence of 14 October 2022. Requests the claimant to submit to the file the reply to the interrogatory which was communicated together with the statement of defence, under the signature of the legal representative, under penalty of the application of the provisions of Article 358 of the Civil Procedure Code. Delivered today, 21.10.2022, with the decision being made available to the parties by the court registry." Trial date 05.05.2023.

At the hearing on 05.05.2023, the case is adjourned and the date **15.09.2023** is set for the expert evidence.

- *File No 8442/3/2022 - claimant Tempos Sev (1.430)*

The case concerns claims - GEO 114/2018 for contract C80/2018 - Refurbishment of 220/110kv station Hășdat.

At the hearing on 16.09.2022, the joinder is admitted. Refer the case back to the panel first seised with the case No 8193/3/2022, i.e. panel 12, for the case No 8442/3/2022 to be joined to case No 8193/3/2022. Appeal together with the merits. Delivered today, 16.09.2022, with the decision being made available to the parties by the Court Registry. Document: Final ruling (disinvestment) 16.09.2022.

As a result of the joinder of file No 8442/3/2022 to file No 8193/3/2022, as set out above, the matters under discussion will be dealt with in the first file (8193/3/2022).

- *. Dosar nr. 8440/3/2022 – reclamant Tempos Sev (2.437)*

The case concerns claims - GEO 114/2018 for contract C80/2018 - Refurbishment of 220/110kv station Hășdat.

At the hearing on 13.09.2022, the case was adjourned to 08.11.2022 for the taking of evidence.

At the hearing on 08.11.2022, the case is adjourned.

The case was redocket and a trial term was set for **12.09.2023**.

- *. File No 527/1285/2021 - claimant ELM Electromontaj Cluj (402)*

The subject matter of the file is claims - GEO 114/2018 for contract C4/6882/21.01.2019 -Modernization of Vetis station.

The solution of the Cluj Tribunal: The request brought by the claimant Elm Electromontaj Cluj S.A. is granted, in contradiction with the defendant Transelectrica S.A. Compels the defendant to conclude with the claimant an additional deed to the Works Contract no. C4/6882/21.01.2019, having as object the modification of the contract price as a result of the increase of the minimum gross basic salary per country guaranteed in payment for the construction sector, by art. 71 of O.U.G. no. 114/2018, according to the statements of works settled as from May 2020 and until the completion of the works related to the

contract. Orders the defendant to pay to the applicant the sum of 402 (excluding VAT), representing the difference between the costs of the workmanship tendered and the costs of the workmanship executed and accepted under Works Contract No C4/6882/21.01.2019, relating to the statements of works drawn up for the period from May 2020 to 31 May 2021, as well as further, in the same manner, to pay the differences between the costs of the workmanship tendered and the costs of the workmanship executed and accepted until the acceptance on completion of the works. Compels the defendant to pay to the claimant the sum of 14 in late payment penalties of 0.02%/day, calculated on the principal debt from the due date until 31.05.2021, as well as the late payment penalties calculated thereafter until full payment of the principal debt. Orders the defendant to pay to the claimant the sum of 8 in respect of the costs of the proceedings and the legal stamp duty. With a right of appeal within 10 days from the date of notification, the application for appeal to be 'submitted with the Cuj Specialised Court. Pronounced by placing the decision at the disposal of the parties through the court registry today, 22 October 2021. The company appealed.

All amounts in cases involving claims for additional costs requested by the claimants and subject to works contracts will be reflected in the value of the investments if they are settled in court and invoiced by the respective partners, except for legal costs and penalties set by the court.

There are currently pending disputes with the Romania Court of Auditors, related to controls carried out in 2013, 2017 and 2020, detailed in the chapter Litigations.

Taking into account the findings of the Court of Auditors recorded in its Decisions following its audits of the quarterly, half-yearly and annual financial statements, we have stated that there may be the possibility of additional tax liabilities arising, but that at the present date, these cannot be determined accurately in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

21. AFFILIATED PARTIES

i) *Affiliated parties – transactions with Company-owned Subsidiaries*

As of June 30, 2023 and June 30, 2022, the balances with the subsidiaries owned by the Company are detailed as follows:

Affiliated entity	Trade receivables		Trade liabilities	
	30 june 2023	31 december 2022	30 june 2023	31 december 2022
FORMENERG SA	-	-	-	-
OPCOM SA	47.112	654.372	72.044	647.260
TOTAL	47.112	654.372	72.044	647.260

Transactions carried out in the first semester of 2023 and the first semester of 2022 with its subsidiaries are detailed as follows:

Affiliated entity	Sales		Procurements	
	30 june 2023	30 june 2022	30 june 2023	30 june 2022
FORMENERG SA	-	-	2	0,3
OPCOM SA	407.817	2.625.286	2.163.844	927.034
TOTAL	407.817	2.625.286	2.163.846	927.034

ii) *Affiliated parties – transactions with other state-owned companies*

The Company is an entity with majority state capital, and the Company's activities are regulated by ANRE. In accordance with the Concession Agreement, an annual royalty is paid, calculated as 4/1000 of the value of the gross revenues achieved from electricity transport and transit operations, through the national transport systems, under the public ownership of the state (starting on November 12 2020).

iv) *Affiliated parties – companies where Company holds participations*

Given that the energy sector is undergoing a process of transformation at the European level, focusing on the transition from a predominantly national model of evolution and development of the energy sector, to a model of integrated and coordinated development at the European level, ensuring a unified development at the continental level but also allowing for adaptation to national specifications while pursuing the legitimate interests of the European states, the Company is affiliated to the following entities:

In this context, the Company is affiliated to the following entities:

- **TSCNET**
- **JAO**

TSCNET (TSCNET Services GmbH)

It has been set up to serve Transmission System Operators (OTs) in the Central-East-West European region (CORE region) for the coordinated implementation of the European network codes.

Membership is achieved by participation in the shareholding of TSCNET through a share purchase transaction in the company. By Resolution No. 9 of the EGMS of 05 June 2018, the Company's affiliation to the CORE Region Security Coordination Centre, TSCNET, was approved by participating in the share capital with a contribution of EUR 470,500 (1 share - EUR 2,500).

JAO (Joint Allocation Office)

As of 2019, auctions for long-term capacity allocation are coordinated by the JAO, which has been designated as the Single Allocation Platform (SAP) Operator.

Transelectrica has been invited by JAO to become part of its shareholding.

By Resolution no.10 of the EGMS of 20 August 2018, the Company was approved to join the Joint Allocation Office (JAO) shareholding with a cash subscription in the amount of EUR 259,325 and 50 shares were allocated to it.

22. FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk that the Group incurs a financial loss as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations. This risk arises mainly from trade receivables and cash and cash equivalents.

The treatment of counterparty risk is based on the Group's internal and external success factors. External success factors - which have an effect on risk reduction in a systematic way - are: decentralisation of the energy sector where generation, transmission, distribution and supply are distinct activities and the interface for the customer is the supplier, trading of electricity on the Romanian market in two market segments: the regulated market and the competitive market. Internal success factors in the treatment of counterparty risk include: diversification of the customer portfolio and diversification of the number of services offered in the electricity market.

Financial assets that may subject the Group to collection risk are primarily trade receivables and cash and cash equivalents. The Group has put in place a number of policies to ensure that the sale of services is made to customers with adequate collection by including in commercial contracts the obligation to provide financial guarantees. The amount of receivables, net of adjustments for impairment, represents the maximum amount exposed to collection risk.

The maximum exposure to collection risk at the reporting date was:

	<u>Net value</u> <u>30 june 2023</u>	<u>Net value</u> <u>31 december 2022</u>
Financial assets		
Net trade receivables	1.178.250	2.259.432
Net other receivables and down payments to suppliers	147.677	791.154
VAT to recover	255.498	292.265
Cash and cash equivalents	499.979	333.681
Other financial assets	-	-
Total	<u>2.081.405</u>	<u>3.676.533</u>

The age of **receivables** on the elaboration date of the financial position is provided below:

<u>Gross value</u> <u>30 june 2023</u>	<u>Adjustment of</u> <u>depreciation</u> <u>30 june 2023</u>	<u>Gross value 31</u> <u>december 2022</u>	<u>Adjustment of</u> <u>depreciation 31</u> <u>december 2022</u>
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The attached notes are integrant part of these consolidated interim financial statements

NPG TRANSELECTRICA SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2023
(All amounts are in thousand LEI, unless stated otherwise)

Not reached to maturity	1.052.511	2.896	2.167.294	439
Due date exceeded 1 – 30 days	29.415	-	149	3
Due date exceeded 31 – 90 days	4.266	2	303	6
Due date exceeded 90 – 180 days	51	17	45	7
Due date exceeded 180 – 270 days	136	29	451	450
Due date exceeded 270 – 365 days	15	49	188	182
More than a year	230.379	135.528	229.514	137.427
Total	1.316.772	138.522	2.397.945	138.513

The age of **other receivables** on the elaboration date of the financial position is provided below:

	Gross value 30 june 2023	Adjustment of depreciation 30 june 2023	Gross value 31 december 2022	Adjustment of depreciation 31 december 2022
Not reached to maturity	374.662	-	1.052.210	35
Due date exceeded 1 – 30 days	233	-	258	-
Due date exceeded 31 – 90 days	381	-	605	-
Due date exceeded 90 – 180 days	746	9	2.507	243
Due date exceeded 180 – 270 days	1.710	-	1.708	171
Due date exceeded 270 – 365 days	319	25	10.098	9.403
More than a year	101.827	76.668	92.953	67.068
Total	479.877	76.702	1.160.339	76.919

Group's policy is to record 100% impairment allowances for loss of value for customers in disputes, insolvency and bankruptcy and 100% of trade and other receivables outstanding for more than 180 days, excluding overdue receivables arising from the support scheme. The Group also carries out an individual analysis of trade and other receivables outstanding.

The highest impairment allowances on 30 June 2023, calculated for trade receivables and related penalties, were recorded for CET Govora (25,075), Eco Energy SRL (24,736), Petprod SRL (23.540), Arelco Power (14,788), Total Electric Oltenia SA (14,186), Romenergy Industry (13,513), Romelectro SA (13,429), Elsaco Energy (9,276), RAAN (8,517), Next Energy Partners SRL (8,395).

The Group has taken the following measures to recover the impairment-allowances receivables: legal action, registration in the creditor's list, etc.

The evolution of **impairment allowances for doubtful receivables** is provided as follows:

	30 june 2023	31 december 2022
Opening balance 1 january	138.513	150.558
Recognition of adjustments for impairment	953	2.756
Reversal of adjustments for impairment	943	14.801
Balance on the end of period	138.523	138.513

The evolution of **impairment allowances for other doubtful receivables** is presented as follows:

	30 june 2023	31 december 2022
Opening balance 1 january	76.919	70.987
Recognition of adjustments for impairment	45	11.555
Reversal of adjustments for impairment	262	5.623
Balance on the end of period	76.702	76.919

Financial assets that may subject the Group to collection risk are primarily trade receivables and cash and cash equivalents. The Group has put in place a number of policies to ensure that the sale of services is made to customers with adequate collection by including in commercial contracts an obligation to provide financial guarantees. The amount of receivables, net of impairment allowances, represents the

maximum amount exposed to collection risk. The collection risk on these receivables is limited as these amounts are mainly due from state-owned companies.

The cash is placed in financial institutions, which are considered to have minimal risk.

23. SUBSEQUENT EVENTS

- **OGMS notice 18(21) August 2023**

The Board of Directors of the Company convened the Ordinary General Meeting of Shareholders on 18(21) August 2023 with on the agenda information on the acquisition of products, services and works, commitments involving significant obligations of the Company with a value of more than 5 mil euro, as well as loans and guarantees for loans with a value of less than 50 mil euro.

- **Letter of expectations**

The company informed that on 25 July 2023, the majority shareholder, the Romanian State through the General Secretariat of the Government, in its capacity as public supervisory authority, sent *the Letter of Expectations necessary for the selection and evaluation of the members of the Supervisory Board and the Management Board of the National Electricity Transmission Company Transelectrica S.A. for the period 2023-2027*.

- **Request, majority shareholder, to complete the agenda of the GMS, convened for 18 (21) August 2023**

The company has informed investors that the majority shareholder, the Romanian State, through the General Secretariat of the Government, has requested to add the following item to the agenda of the Ordinary General Meeting of Shareholders scheduled for 18/21.08.2023:

- Completion of point 1 of Decision no. 5 of the AGM of C.N.T.E.E. Transelectrica S.A. of 27 April 2023 by introducing the provisions of para. (3), (4) and (5) of art. 29 of GEO. no. 109/2011 on the corporate governance of public companies, with subsequent amendments and additions, thus, after the addition, the point will have the following content: *"Initiating the selection procedure for the members of the supervisory board of C.N.T.E.E. Transelectrica S.A., with the application of the provisions of art. 29 para. (3), (4) and (5) of O.U.G. no. 109/2011 on the corporate governance of public companies, as subsequently amended and supplemented"*.