

NPG TRANSELECTRICA SA
REPORT
OF THE SUPERVISORY BOARD
ON MANAGEMENT ACTIVITY



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Verification of the Stand-alone Financial Statements by the Supervisory Board

The Supervisory Board is based on the principles of corporate governance, which require a responsible, professional and objective attitude of the Company towards its stakeholders. The Board reviews the Company's strategy and the prerequisites of the environment in which it operates in order to plan its development and performance, ensuring a rigorous formulation of objectives.

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

The Stand-alone Financial Statements as at 31.12.2023 are audited and the opinion of the external auditor is expressed without reservation, which means that all material information reflected in the main balance sheet items is relevant, reliable, comparable and pertinent.

The Supervisory Board's Annual Report, prepared in accordance with the requirements of capital market legislation, has been reviewed by the members of the Supervisory Board. The information presented in the Annual Report gives a true and fair view of the Company's results for 2023.

Yours sincerely,

Cătălin-Andrei DASCĂL	Teodor ATANASIU	Costin-Mihai PĂUN	Alexandru-Cristian VASILESCU	Luminița ZEZEANU	Dumitru-Virgil ORLANDEA	Rareș-Stelian RUSU
SB Chairman	SB Member	SB Member	SB Member	SB Member	SB Member	SB Member



Corporate structure

SUPERVISORY BOARD

The National Power Grid Company "Transelectrica SA" ("THE NATIONAL POWER GRID COMPANY" "Transelectrica SA", "Transelectrica" or the "Company") is a joint stock company, which is organized and operates in accordance with the laws of Romania, being managed under a two-tier system, pursuant to the resolution of the Extraordinary General Meeting of Shareholders of 18 July 2012, by a Directorate (consisting of 5 members) under the supervision of a Supervisory Board (consisting of 7 members).

At the date of this report, the composition of the Supervisory Board ("SB" or "Board") of Transelectrica is as follows:

- **Cătălin-Andrei DASCĂL - Chairman of the Supervisory Board**

As of 22 April 2022, Mr. Cătălin Andrei Dascăl was appointed member of the Supervisory Board of National Power Grid Company Transelectrica SA.

Mr. Dascăl joined Transelectrica's non-executive management team with extensive legal experience.

Cătălin Andrei Dascăl's career includes managerial and executive positions in acquiring complex legal expertise in both public administration and private practice.

Thus, among the positions he held, he was legal advisor at IPCMG - REFAL SPRL, executor and legal expert at the Authority for the Administration of State Assets.

Since 2006 to date, Mr. Dascăl is a lawyer and insolvency practitioner - Member of Insol Europe, founder and partner lawyer at "Dascăl Ciotea and Associates SPARL", founder and coordinating partner at "Dascăl Insolvency SPRL".

Also, from 2016 to date, he is President of the National Union of Insolvency Practitioners of Romania (UNPIR) - Bucharest Branch, and from 2021 he is a member of the National Board of Directors of UNPIR and coordinator of working groups within this structure.

Cătălin Andrei Dascăl graduated from the Faculty of Law of Nicolae Titulescu University, Bucharest and holds a degree in legal studies from the Faculty of Law of the University of Bucharest. At the same time, he completed postgraduate studies in European Community Law (Faculty of Law, University of Bucharest) and Commercial Law (Academy of Economic Studies, Bucharest).

- **Teodor ATANASIU - Member of the Supervisory Board**

Mr. Teodor ATANASIU, as of 22 August 2022, has joined the Supervisory Board of the National Power Grid Company Transelectrica SA, with a long experience in central public administration.

From 2017 to 2022, Mr. Teodor ATANASIU was a member of the Regulatory Board of the National Energy Regulatory Authority.

Mr. Teodor ATANASIU attended the courses of the Polytechnic Institute of Cluj Napoca and graduated from the Faculty of Mechanics.

Mr. ATANASIU also holds a degree from the Open University Business School in Financial Management, Competitiveness Management, Customer Relationship Management.

- **Costin-Mihai PĂUN - Member of the Supervisory Board**

As of 22 April 2022, Mr Costin Mihai PĂUN has been appointed member of the Supervisory Board of the National Power Grid Company Transelectrica SA, taking this position with over 30 years of experience in the European and national energy industry.

Throughout his career he has held several managerial and executive positions, working both nationally and internationally in the transmission, distribution and generation of electricity.

Mr. Păun joins Transelectrica's non-executive management team with an outstanding career in the energy sector.

Thus, Mr. PĂUN has significant experience in coordination with European Transmission and System Operators (ENTSO-E and MED-TSO), Electricity Distribution Operators, National Regulatory Authorities,

Agency for the Cooperation of Energy Regulators (ACER), European Institutions (European Commission, DG ENER, DG Conect, etc.) and International Financial Institutions (IFI - European Investment Bank, KfW, etc.).

Mr. PĂUN has designed, led and implemented European and international projects funded by the European Commission and the International Financial Institutions, carried out European consortia, studies and plans for the development of electricity grids, contributed to new solutions in innovation initiatives and scientific research, and is responsible for system operation, regulation, implementation of high voltage projects.

He is co-founder (2011), was Secretary General (2011-2016) and Vice-President (2016-2021) of the Professional Association - Romanian Energy Centre (CRE).

Mr. Păun was also a member of the Board of Directors of the Electricity Distribution System Operator "Electrica Distribuție Muntenia Nord" SA (2012-2016), Responsible for the preparation of the 10-year European Electricity Network Development Plan within ENTSO-E in Brussels (2010-2016), the Regional Investment Plans in 4/6 ENTSO-E Regions: North Sea, Baltic Sea, Continental South-West Europe, Continental Central-East Europe, Network Codes, Regulatory Advisor, Energy Policy, Electricity Networks at EURELECTRIC, Union of the Electricity Industry, Brussels (2002-2010), Member of the European Economic and Social Committee - Transport, Energy, Infrastructure and Information Society Section (2003-2006) and Coordinator of Regulatory Training and Energy Strategy (1993-1998).

Mr. Costin Mihai PĂUN graduated from the Polytechnic University of Bucharest, Faculty of Energetics, with a degree in Electrical Engineering, a field in which he also holds a PhD degree from the Technical University of Timisoara.

He also consolidated his expertise in the field of management through the Master's degree program "Financial-Banking Management", acquiring the title of Master in Business Administration - Financial-Banking Management at the Romanian-American University of Bucharest.

• Alexandru-Cristian VASILESCU - Member of the Supervisory Board

As of 22 April 2022, Mr. Alexandru Vasilescu has been appointed member of the Supervisory Board of the National Power Grid Company Transelectrica SA, taking up this position with expertise in public administration advisory and management.

Mr. Alexandru Vasilescu is currently Secretary of State in the General Secretariat of the Government, a position he has held since February 2022.

Mr. Vasilescu joined Transelectrica's non-executive management team, having a professional portfolio shaped by the following experiences: Commercial Director of SC Orhideea SRL; Advisor in several institutions of the state administrative apparatus: Romanian Parliament - Chamber of Deputies, Department for SMEs, Business Environment and Tourism, Ministry for Information Society, General Secretariat of the Government. Mr. Alexandru Vasilescu graduated from the Technical University of Constructions in Bucharest with a degree in construction engineering.

Following his undergraduate studies, he completed a master's program at the Technical University of Construction in Bucharest, obtaining a degree in Construction Project Management.

Mr. Vasilescu is currently a PhD student at the Polytechnic University of Bucharest.

• Luminița ZEZEANU- Member of the Supervisory Board

Ms. Luminița ZEZEANU, joined the Supervisory Board of the National Power Grid Company Transelectrica SA, as of 22 August 2022, as a member, with a solid expertise in the development and financing of projects from European funds, as well as experience in public administration.

Over the years, Ms. Luminița ZEZEANU has worked in various areas of public administration, focusing on regional development.

Between 2006 and 2014, she held the position of Director of the Project Authorisation Directorate, Managing Authority for the Operational Programme - Ministry of Regional Development and Public Administration.

She resumed this leadership position in 2015-2016, and in 2017 took up the position of Secretary of State in the Ministry of Regional Development, Public Administration and European Funds.

Ms. Luminița ZEZEANU continued her activity in this field, and between 2017- 2019 she was Director General at the Management Authority for the Regional Operational Programme - Ministry of Regional Development and Public Administration.

Starting from August 2022 and until August 2023, he held the position of Director of the European Funds Department at SNTGN Transgaz. He is currently secretary of state at the Ministry of Investments and European Projects.

Mrs. Luminița ZEZEANU graduated from the Faculty of Accounting and Management Informatics at the Bucharest Academy of Economic Studies and continued her postgraduate studies in Great Britain, at London Metropolitan University, where she studied international trade.

- **Dumitru-Virgil ORLANDEA - Member of the Supervisory Board**

Mr Virgil Dumitru Orlandea was appointed member of the Supervisory Board of the National Power Grid Company Transelectrica SA as of 1 March 2024 for a 4-year term of office in the non-executive management of the Company. Mr Orlandea has also held the position of member of the Supervisory Board from October 2021 to October 2023.

Since 2011, he has been active in the energy sector, holding relevant positions in the energy industry.

Between 2010 and 2012, Mr. Orlandea was a member of the Board of Directors and Supervisory Board of certain important companies in the Romanian energy sector, such as Electrica SA, Electrica Serv SA, Hidroelectrica, Transelectrica and Oil Terminal. From 2013 to 2016, Mr. Orlandea worked for the National Power Grid Company Transelectrica SA as Director of the Support Services Department. Subsequently, until 2021, he continued his activity within the Company from the position of coordinator of the project Centre of Excellence in Energy Sibiu, respectively the Centre for Research and Development of Technologies for Working under Voltage and Rapid Intervention in the National Energy System.

Mr Virgil Dumitru Orlandea graduated from the National Defence University "Carol I" Bucharest, College of Resource and Procurement Management, "Lucian Blaga" University of Sibiu, Faculty of Economic Sciences - Master in "Integration of Tourism and Services" and Faculty of Economic Sciences - Master in "Management and Marketing Strategies and Policies of the Firm", Police Academy "Alexandru I. Cuza" Bucharest - Master in "Human Resources Management in the Public Order Authorities System".

- **Rareș-Stelian RUSU - Member of the Supervisory Board**

As of 1 March 2024, Mr. Rareș Stelian Rusu has joined the Supervisory Board of the National Power Grid Company Transelectrica SA, with a 4-year mandate in the non-executive management of the Company. Mr Rusu has extensive management experience gained through his career in both the private sector and public administration.

With an extensive expertise within the Company, Mr Rusu held the position of Director of the Cluj-Napoca Territorial Transmission Branch in 2009-2012, followed by that of Project Manager in 2012-2013. He was also an advisor to Transelectrica's Directorate, Manager of the Integrated Management Unit, Commercial-Acquisitions and Manager of the Cluj Territorial Transmission Unit in 2020-2021. From 2021 to 2022, he was non-executive director of OPCOM SA, a subsidiary of the National Power Grid Company Transelectrica SA.

Mr. Rareș Stelian Rusu has over 25 years of experience in central and local public administration, both in the executive and non-executive areas of the Romanian Government, namely the Chamber of Deputies, as well as in the private sector, holding managerial positions as well as legal advisory positions.

From 2021, Mr Rusu will serve as Vice President of the National Civil Servants Agency.

Rareș Stelian Rusu holds a bachelor's degree in political science from the Faculty of Political Science and Public Administration of the Babeș-Bolyai University of Cluj-Napoca and a bachelor's degree in law from the Faculty of Law of the Dimitrie Cantemir University of Cluj-Napoca. He also completed a Master's degree in Energy Engineering at the Faculty of Electrical Engineering of the Technical University of Cluj-Napoca.

ADVISORY COMMITTEES OF THE SUPERVISORY BOARD

At the date of this report, the Advisory Committees of the Supervisory Board have the following duties and composition:

Audit Committee

The members of this committee are Luminița ZEZEANU (Chairman), Teodor ATANASIU, Rareș Stelian RUSU, Costin-Mihai PĂUN, Alexandru-Cristian VASILESCU.

The Audit Committee assists the Supervisory Board in fulfilling its responsibilities in the areas of financial reporting, internal control and risk management.

Audit Committee tasks related to financial reporting and statutory audit:

- monitors the financial reporting process at Company level,
- monitors the statutory audit of the annual financial statements and the annual consolidated financial statements,
- regularly reviews the effectiveness of financial reporting,
- verifies and monitors the independence of the statutory auditor or audit firm and in particular, the provision of additional services to the audited entity,
- makes recommendations to the Board on the appointment of the external auditor (statutory auditor or audit firm) of the Company on the selection, appointment, re-appointment and replacement of the external auditor and the terms and conditions of the external auditor's remuneration,
- monitors the independence and objectivity of the external auditor, in particular by monitoring the rotation of partners in the audit firm,
- receives and considers the external auditor's report on the key issues arising from the statutory audit and, in particular, on significant deficiencies in internal control over financial reporting,
- assists the Board in monitoring the credibility and integrity of the financial information provided by the Company, in particular by reviewing the relevance and consistency of the accounting standards applied by the Company (including consolidation criteria).

Audit Committee's tasks in the area of managerial internal control:

- monitors the effectiveness of the Company's internal control, internal audit, where applicable, and risk management systems,

- regularly reviews the effectiveness of the internal control and risk management system adopted by the Company,
- ensures that the audit reviews carried out and the audit reports produced as a result thereof are in accordance with the audit plan approved at Company level,
- proposes to the Board the control, verification and reporting procedures necessary for the exercise of its essential powers of control over the manner in which the Directorate manages the Company, as well as for the verification of the activity carried out in the name and on behalf of the Company,
- verifies compliance with non-financial reporting obligations at Company level.

Nomination and Remuneration Committee

The members of this committee are: Alexandru-Cristian VASILESCU (Chairman), Cătălin-Andrei DASCĂL, Rareș Stelian RUSU, Dumitru Virgil ORLANDEA, Luminița ZEZEANU, with the following activities:

- makes proposals for the position of member of the Supervisory Board and member of the Directorate,
- prepares and makes proposals to the Supervisory Board regarding the selection procedure for members of the Supervisory Board, members of the Company's Directorate and for other management positions,
- makes proposals for the remuneration of the members of the Company's Directorate and other management positions, subject to the general remuneration limits approved by the General Meeting of Shareholders,

Committee on Investment and Energy Security

Costin-Mihai PĂUN (Chairman), Cătălin-Andrei DASCĂL, Luminița ZEZEANU, Teodor ATANASIU, Dumitru-Virgil ORLANDEA are the members of this committee.

The Investment and Energy Security Committee carries out the following activities:

- monitoring the establishment and achievement of the Company's high voltage grid development strategic goals and directions,

- monitoring the establishment and fulfilment of strategic criteria for defining:
 - the Annual Investment Plan - AIP (including the algorithm for prioritising investments);
 - RET Ten Year Development Plan 2022-2031;
 - The Company's vision for the update of the RET Ten Year Development Plan 2022-2031,
- post-investment monitoring and monitoring indicators within the investment project,
- regular monitoring and review of energy security and actions leading to increased Energy Security.
- improving the internal vision and transparency of network strategy and development work and investment in high-voltage electricity networks,
- setting priority directions for investment and asset development in line with ANRE requirements,
- obtaining synthetic and relevant reports that facilitate immediate decisions with a major impact on the achievement of indicators specific to the electricity transmission activity,
- fulfilment of obligations relating to the efficiency of electricity transmission, electricity transmission service, operational efficiency (team coordination).

The Investment and Energy Security Committee makes recommendations to the Supervisory Board for:

Risk Management Committee

The members of this committee are Teodor ATANASIU (Chairman), Alexandru-Cristian VASILESCU, Cătălin-Andrei DASCĂL, Rareş Stelian RUSU, Dumitru Virgil ORLANDEA.

It is a new committee set up following the amendment of the Government Emergency Ordinance no.109/2011



Activity of the Supervisory Board

THE ACTIVITY OF THE SUPERVISORY BOARD

During 2023, the members of the Supervisory Board convened for 22 meetings, of which we present below a selection of the discussion items on the agenda.

The following topics have been given priority:

- the agreement to carry out the procurement operation for the award of the sectoral works contract "220kV Ostrovu Mare Station",
- the agreement on the procurement operation for the award of the sectoral works contract "R.C. LEA 400Kv Mintia-Arad" and on
- the reorganisation of the organisational and functional structure of the Company with regard to the modification of the organisational structure and the modification of the organisational and operational regulations of the Company,
- the investment program of the Company for the year 2023 and the estimated investment expenses for the years 2024 and 2025,
- the income and expenditure budget for the year 2023 as well as the estimates for the years 2024 and 2025,
- the preliminary separate financial statements as of and for the financial year ended on December 31, 2022, the Preliminary Report for the fourth quarter and January-December 2022 regarding the economic and financial activity of the Company drawn up according to the requirements of the capital market, the Directorate's activity report for the fourth quarter and January-December 2022, prepared according to the provisions of GEO no. 109/2011,
- the separate and consolidated financial statements as of and for the financial year ended on December 31, 2022, the Annual Report on the individual and consolidated financial statements for the year ended on December 31, 2022, the 2022 activity report of the Supervisory Board prepared according to the provisions of art.55 from GEO no. 109/2011 on the corporate governance of public enterprises,
- the agreement regarding the procurement operation aimed at awarding the sectoral works contract "Transition to the 400kV voltage of the Portile

de Fier-Reșita-Timișoara-Săscălaz-Arad axis, stage II: LEA 400kV d.c. Resita-Timișoara-Săscălaz",

- the agreement regarding the procurement operation having as its object the awarding of the sectoral supply contract "Refurbishing the 110kV Timișoara station and switching to the 400kV tension of the Portile de Fier-Reșita-Timișoara-Săscălaz-Arad axis, stage II: Timișoara 400kV Timișoara station,

In the first semester of 2023, 4 (four) meetings of the Audit Committee were held, during which the Interim Financial Statements related to the financial year 2022 were checked, the Budget of income and expenses for the year 2023 and the estimates for the years 2024-2025. The Report of the Audit Committee within the Supervisory Board of CNTEE Transelectrica SA relating to the year 2022 on the internal control and significant risk management systems of the Company was drawn up and the separate/consolidated financial statements of the Company for the year 2022 were verified, accompanied by Financial auditor's report.

During the same period, 4 (four) meetings of the **Nomination and Remuneration Committee** were held in which the members of this Committee prepared the Nomination and Remuneration Committee Report for the year 2022.

Proposals and recommendations were also made to fill the position of provisional member of the Company's Directorate.

The following is a detailed presentation of the topics discussed at the Supervisory Board meetings in the first half of the year:

- At its meeting on **25.01.2023**, the Supervisory Board reviewed the Company's Investment Programme for 2023 and the estimated investment expenditure for 2024 and 2025,
- checked the Revenue and Expenditure Budget for the year 2023 as well as the estimates for the years 2024-2025,

- requested that an external audit mission be launched on the way in which the bonus fund was set up, the method/criteria for granting the bonuses, at the same time as sending the external auditor the addresses of Mr Cătălin Sava, shareholder of the Company, whistleblower and director within the Integrated Commercial Procurement Management Unit of the Company, as well as any relevant documents and information to be requested by the external auditor in order to carry out the audit mission,

- approved the start of the purchase of the 49.60% stake held by the Smart SA subsidiary in the building of the Paltiniș Training Centre,

- agreed to the modification of the organizational structure of the Company by adding the name "Department of Excellence in Energy" with the name of PhD.Eng.Stelian Alexandru Gal, respectively "Department of Excellence in Energy PhD.Eng.Stelian Alexandru Gal",

- requested analyses on:

- last five years of economic and financial indicators,
- detailing funding sources for the next three years,
- measures envisaged to cover the deficit in the BVC chapter - revenues from non-profit activities.

• At the meeting of **24.02.2023** the Supervisory Board, in accordance with the provisions of Article 18 paragraph (4) of the Company's Articles of Association, elected Mr. DASCĂL Cătălin-Andrei as Chairman of the Supervisory Board,

- the Audit Committee was established and members of the Audit Committee were appointed:

- ZEZEANU Luminița - Chairman
- STERP VINGĂRZAN Gheorghe
- DASCĂL Cătălin-Andrei
- PĂUN Costin-Mihai

At the meeting held on **28.02.2023**, in accordance with the provisions of Article XX paragraph (4) of the Rules of Organization and Functioning of the Supervisory Board, the Nomination and Remuneration Committee was established and members were appointed:

- VASILESCU Alexandru-Cristian - Chairman
- STERP VINGĂRZAN Gheorghe
- PĂUN Costin-Mihai
- ORLANDEA Dumitru Virgil
- DASCĂL Cătălin-Andrei

the Audit Committee has been established and appointed as members:

- ZEZEANU Luminița - Chairman
- ATANASIU Teodor
- STERP VINGARZAN Gheorghe
- DASCĂL Cătălin-Andrei
- PĂUN Costin-Mihai

the Investment and Energy Security Committee was established and appointed as members:

- PĂUN Costin-Mihai - Chairman
- VASILESCU Alexandru-Cristian
- ZEZEANU Luminița
- ATANASIU Teodor
- ORLANDEA Dumitru Virgil.

• The stand-alone and consolidated financial statements as at and for the year ended 31 December 2022 were audited at the meeting held on **22.03.2023**,

- The independent auditor's report on the stand-alone and consolidated financial statements for the year ended 31 December 2022 was noted,

- Reviewed the Annual Report on the stand-alone and consolidated financial statements for the year ended 31 December 2022,

- approved the final form of the 2022 Activity Report of the Supervisory Board prepared in accordance with Article 55 of GEO no.109/2011 on corporate governance of public companies,

- the Report for the year 2022 of the Audit Committee of the Supervisory Board on the internal control and significant risk management systems within the Company, prepared in accordance with the provisions of the new Corporate Governance Code of the Bucharest Stock Exchange, was noted

- The Report of the Nomination and Remuneration Committee for 2022, the Remuneration Policy for the Company's Executive and Non-Executive Management and the Report on the activities of the Directorate for the period January to December 2022 were noted.

At the same meeting, the Supervisory Board expressed its agreement to the procurement operation for the award of the sectoral supply contract " PQMS Power Quality Monitoring System ".

• At the meeting of **28.03.2023**, the Supervisory Board agreed on the reorganization of the organizational and functional structure of the Company, i.e. on the modification of the organizational structure (organization chart) and the modification of the organizational and functional regulations of the Company. Thus, the Supervisory Board agreed to the closure of the following sub-offices of the Company:

- Bacau Territorial Transmission Unit,
- Bucharest Territorial Transmission Unit,

- Cluj Territorial Transmission Unit,
- Craiova Territorial Transmission Unit,
- Timisoara Territorial Transmission Unit,
- Constanta Territorial Transmission Unit,
- Pitești Territorial Transmission Unit,
- Sibiu Territorial Transmission Unit.

At the same meeting, it agreed to the establishment of the following sub-offices of the Company:

- Bacau Territorial Transmission Branch,
- Bucharest Territorial Transmission Branch,
- Cluj Territorial Transmission Branch,
- Craiova Territorial Transmission Branch,
- Timisoara Territorial Transmission Branch,
- Constanta Territorial Transmission Branch,
- Pitești Territorial Transmission Branch,
- Sibiu Territorial Transmission Branch.

- In the meeting of **19.04.2023** the Supervisory Board expressed its agreement to the procurement operation for the award of the 220kV Ostrovu Mare 220kV sector works contract.

- At the meeting of **24.04.2023**, the Supervisory Board took note of the resignation of Mr. Gabriel Andronache from the mandate of provisional member of the Company's Directorate.

During the same meeting, the Supervisory Board elected Mr. Ștefăniță Munteanu as Chairman of the Directorate, alternatively called Chief Executive Officer of the Company.

- At the meeting held on **15.05.2023**, the simplified stand-alone interim financial statements for the financial year ended 31 March 2023 were audited, the Report for the first quarter of 2023 on the economic and financial activity of the Company prepared in accordance with the requirements of the capital market and the Activity Report of the Directorate on the results for the first quarter of 2023 prepared in accordance with the provisions of GEO no.109/2011 on corporate governance of public companies were noted."

At the same meeting, the Supervisory Board agreed to the procurement operation for the award of the sectoral works contract "*Upgrading to 400 kV of the Porțile de Fier-Reșița-Timișoara-Săscălaz-Arad axis, stage II: 400 kV d.c. Reșița-Timișoara-Săscălaz OHL*" and on the procurement operation for the award of the sectoral supply contract "*Refurbishment of the 110kV Timișoara station and the transition to 400kV voltage of the Porțile de Fier-Reșița-Timișoara-Săscălaz-Arad axis, stage II: 400kV Timișoara station*."

- At the meeting of **24.05.2023**, the members of the Supervisory Board agreed to the purchase of a credit agreement to grant a ceiling for issuing bank

letters of guarantee for payment with a validity of 12 months.

During the same meeting, they agreed to carry out the procurement operation for the award of the sectoral supply contract "*Upgrade of the Electronic Messaging System within TEL*", as well as the procurement operation for the award of the sectoral works contract "*R.C. 400kV Mintia-Arad OHL*".

- In the meeting of **20.06.2023**, the Supervisory Board approved the purchase of the 49.60% stake held by SMART SA in the building of the Training Centre Paltiniș at the market value excluding VAT, as per the valuation report.

During the same meeting they elected Mr. DASCĂL Cătălin-Andrei as Chairman of the Supervisory Board and the Nomination and Remuneration Committee was established, appointing as members:

- VASILESCU Alexandru-Cristian - Chairman
- STERP VINGĂRZAN Gheorghe
- PĂUN Costin-Mihai
- ORLANDEA Dumitru Virgil
- DASCĂL Cătălin-Andrei

the Audit Committee was established and appointed as members:

- ZEZEANU Luminița - Chairman
- ATANASIU Teodor
- STERP VINGĂRZAN Gheorghe
- DASCĂL Cătălin-Andrei
- PĂUN Costin-Mihai

the Investment and Energy Security Committee was established and appointed as members:

- PĂUN Costin-Mihai - Chairman
- VASILESCU Alexandru-Cristian
- ZEZEANU Luminița
- ATANASIU Teodor
- ORLANDEA Dumitru Virgil.

The following is a detailed presentation of the topics discussed at the Supervisory Board meetings in the second half of the year:

- In the meeting of **06.09.2023** the Supervisory Board approved the purchase of SMART SA space in the building located in Bacău, 41 Oituz Street, at the market value resulting from the valuation report.

- In the meeting of **27.09.2023**, the members of the Supervisory Board agreed to carry out the procurement operation for the award of the works contract "*Increasing the degree of safety in the supply of consumers in the north-eastern area of Bucharest connected to the 220/110/10 kV Fundeni station*".

- In the meeting of **19.10.2023**, the Supervisory Board agreed to the conclusion of the Addendum to the Credit Agreement concluded with Romanian Commercial Bank, having as object the granting of a ceiling for the issuance of a bank guarantee letter in favour of ANRE.

It also agreed to carry out the procurement operation "Replacement of 4-250MVA, 400/110 kV transformer in 400/110 kV Drăgănești Olt station" and to carry out the procurement operation "R.C. 400kv Cernavodă - Gura Ialomiței OHL, circuit 1, st.65 - 196".

- At the meeting held on **24.10.2023** in accordance with the provisions of Article 18 paragraph (4) of the Company's Articles of Association, Mr. DASCĂL Cătălin-Andrei was elected as Chairman of the Board. At the same time, the Supervisory Board Committees were set up with the following members:

Nomination and Remuneration Committee:

- VASILESCU Alexandru-Cristian - Chairman
- PĂUN Costin-Mihai
- DASCĂL Cătălin-Andrei
- MITU Anca
- ANASTASIU Teodor

Audit Committee:

- ZEZEANU Luminița - Chairman
- ATANASIU Teodor
- DASCĂL Cătălin-Andrei
- PĂUN Costin-Mihai
- MITU Anca

Investment and Energy Security Committee:

- PĂUN Costin-Mihai - Chairman
- VASILESCU Alexandru-Cristian
- ZEZEANU Luminița
- ATANASIU Teodor
- MITU Anca.

Risk Management Committee:

- ATANASIU Teodor - Chairman
- VASILESCU Alexandru-Cristian
- PĂUN Costin-Mihai
- DASCĂL Cătălin-Andrei
- MITU Anca.

At the same meeting, given that the terms of office of the provisional members of the Directorate, Ștefăniță Munteanu, Cătălin Constantin Nadolu, Florin Cristian Tătaru and Bogdan Toncescu, expired on 24 October 2023, the members of the Supervisory Board appointed as provisional members of the Directorate, with a term of office of 5 months starting on 25 October

2023.10.2023, with the possibility of extension, once only for a further 2 months for good cause, Mr Ștefăniță MUNTEANU, Mr Cătălin-Constantin NADOLU, Mr Florin-Cristian TĂTARU and Mr Bogdan TONCESCU.

At the same meeting they approved the "Rules of Organization and Functioning of the Supervisory Board of the Company".

- At the meeting of **30.10.2023**, the Supervisory Board agreed on the performance of the procurement operation for the award of the sectoral works contract "400 kV Suceava Balti line on the Romanian portion".

Agreed on the initiation of the balancing power purchase action with a view to concluding a contract for the "*Purchase of electricity by transferring balancing responsibility to a PRE for covering imbalances from technological losses of electricity in the electricity transmission networks - RET*" with a duration of 24 months.

At the same meeting, the members of the Supervisory Board took note of the fact that, in accordance with the notification of Mr. Adrian Remus Borotea, he did not expressly accept the mandate of provisional member of the Supervisory Board under GMS No. 9./18.10.2023, so that, in accordance with the provisions of Article 153⁷ paragraph (1) of the Companies Act no. 31/1990, republished with subsequent amendments and additions, and Article 18 paragraph (6) of the Articles of Association, Ms Simona-Geanina PISTRU-POPA was appointed as a provisional member of the Supervisory Board.

- On **08.11.2023**, at the European Parliament hosted by the Commission for Industry, Research and Energy, the event "Consolidation of energy security and cooperation of transport and system operators from Eastern Europe" was organized by Transelectrica.

This event brought together representative factors at European level in the field of energy. The Commission for Industry, Research and Energy was represented by Mr. Cristian Bușoi, as president, and Mr. Dan Nica, as a member of the Commission.

Thus, approximately 50 high-level delegates took part in the debate: representatives from the European Commission, from ENTSO-E, members of the European Parliament, as well as top management representatives from the energy sector from Eastern European countries - Bulgaria, Serbia, Croatia, Greece, Hungary, Albania, Poland and Slovakia.

A special guest of the conference was Mrs. Tinne VAN der STRAETEN, Minister of Energy from Belgium, the country that will hold the presidency of the Council of the European Union for the first six months of 2024.

The intervention of the official of the Belgian government emphasized the importance of the event at the European level and highlighted the concerted efforts for strengthening energy security in Europe.

The energy transmission and system operators from the Eastern European region present at the event organized by Transelectrica in the European Parliament addressed essential topics for ensuring uninterrupted access to electricity in a safe and sustainable way.

The main objective of the debate was to promote a dynamic exchange of common solutions for bilateral and regional cooperation, strengthening energy security, energy market design and energy transition.

In the context of increased concerns related to energy security, the conference touched on relevant topics for Romania, the countries of Eastern Europe and not only in terms of ways to collaborate to ensure energy security and the resilience of the interconnected system throughout the region.

By taking the initiative to challenge this debate, in the heart of Europe, Transelectrica has demonstrated its firm commitment to regional cooperation and increasing energy security in Eastern Europe.

Transelectrica, a member of ENTSO-E, is a trusted partner in the process of operating the interconnected European electricity transmission network and in the integration of energy markets in the region, thus helping to ensure a safer and more sustainable future for Eastern Europe .

• At the meeting on **13.11.2023** the members of the Supervisory Board approved the following changes to the composition of the Nomination and Remuneration Committee:

- VASILESCU Alexandru-Cristian - Chairman
- PĂUN Costin-Mihai
- DASCĂL Cătălin-Andrei
- MITU Anca
- PISTRU-POPA Simona-Geanina

Membership of the Committee on Investment and Energy Security

- PĂUN Costin-Mihai - Chairman
- VASILESCU Alexandru-Cristian
- ZEZEANU Luminița
- ATANASIU Teodor
- PISTRU-POPA Simona-Geanina

Composition of the Risk Management Committee

- ATANASIU Teodor - Chairman
- VASILESCU Alexandru-Cristian
- PISTRU-POPA Simona-Geanina
- DASCĂL Cătălin-Andrei
- MITU Anca.

At the same meeting, the simplified stand-alone financial statements of the Company for the financial year ended 30 September 2023, the Report on the economic and financial activity of the Company in accordance with the requirements of the capital market for the period January-September 2023 and the Activity Report of the Directorate on the results for January-September 2023 in accordance with GEO no.109/2011, as amended and updated, were noted.

• At the meeting of **05.12.2023**, the Supervisory Board agreed on the performance of the procurement operation for the award of the sectoral supply contract "*400kV Stâlpu Electricity Station*" and "*Upgrade of the 110kV and medium voltage cell in Stâlpu Electricity Station*".

• At the meeting of **19.12.2023**, the Supervisory Board agreed to carry out the purchase operation "*Upgrade of the command-control-protection system in the 220/110/20kV Sălaj station*".



Financial data

The financial results for the year 2023 are audited. A summary of the financial results as at 31 December 2023 in the extended version is presented in the Annexes to this Report.

The stand-alone profit and loss account as at 31 December 2023 and 31 December 2022 is shown in the table below:

Stand-alone profit and loss account						
[mil RON]	H1 2023	H2 2023	2023	2022	Δ	Δ (%)
	1	2	3	4	5=3-4	6=3/4
Charged energy volume [TWh]	24.97	25.42	50.39	52.18	(1.78)	(3%)
PROFIT ALLOWED ACTIVITIES						
Operating revenues	993	1,097	2,090	2,319	(229)	(10%)
Transmission and other revenues on the electricity market, of which:	963	1,025	1,988	1,930	57	3%
<i>Regulated tariff</i>	748	797	1,545	1,401	144	10%
<i>Other revenue from PE*</i>	34	66	100	130	(30)	(23%)
<i>Interconnection</i>	181	162	343	399	(56)	(14%)
Other revenues	30	72	102	389	(287)	(74%)
Operational costs	608	774	1,382	1,474	(93)	(6%)
System operating expenses	307	333	640	902	(261)	(29%)
Repairs and maintenance expenses	44	71	115	108	7	6%
Personnel expenses	158	190	348	306	42	14%
Other expenses	98	180	278	158	120	76%
EBITDA	385	323	708	845	(137)	(16%)
Depreciation	167	167	334	272	63	23%
EBIT	218	156	374	573	(199)	(35%)
ZERO PROFIT ACTIVITIES						
Operating revenues	1,207	1,422	2,628	3,967	(1,339)	(34%)
System services revenues	189	170	359	488	(129)	(26%)
Balancing market revenues	1,018	1,252	2,269	3,479	(1,210)	(35%)
Operational expenses	1,248	1,520	2,768	3,946	(1,178)	(30%)
System services expenses	231	268	499	467	33	7%
Balancing market expenses	1,017	1,252	2,269	3,480	(1,211)	(35%)
EBIT	(41)	(99)	(140)	21	(161)	n/a
ALL ACTIVITIES (PROFIT ALLOWED AND ZERO PROFIT)						
Operating revenues	2,200	2,518	4,718	6,286	(1,568)	(25%)
Operating expenses	1,855	2,294	4,150	5,421	(1,271)	(23%)
EBITDA	344	224	568	866	(297)	(34%)
Depreciation	167	167	334	272	63	23%
EBIT	177	57	234	594	(360)	(61%)
Net finance result	2	(2)	0,3	(7)	7	n/a
EBT	179	55	234	587	(353)	(60%)
Income tax	18	3	21	73	(52)	(72%)
Net profit	162	52	214	515	(301)	(58%)

Note: For ease of reading and understanding the results, certain figures provided in the graphs and/or tables use mil. lei as the unit of measure and are rounded to that unit. This convention of presentation may, in certain cases, result in minor differences between the total figures and the totals obtained by adding up the components.

OPERATIONAL RESULTS

I. Volume of energy charged

In 2023, the total amount of electricity charged for electricity market services (50.39 TWh) decreased by 3% compared to the same period in 2022 (the difference between the two periods was -1.8 TWh).

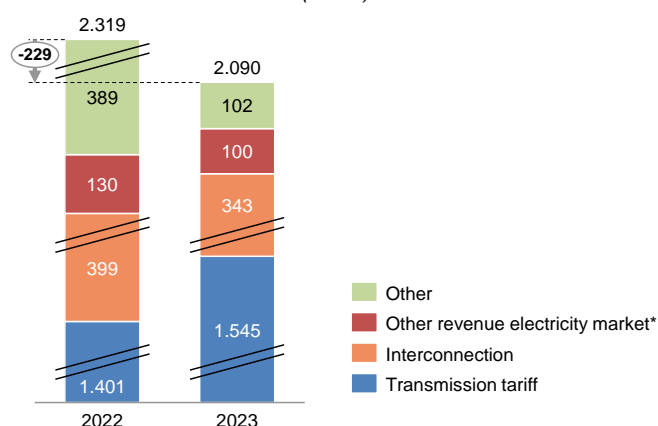
Profit allowed segment

Operating revenues



The segment of **profit allowed activities** recorded a 10% decrease in revenues (2,090 million lei in 2023 compared to 2,319 million lei in 2022) mainly due to the reduction in revenues from OTC capitalization, but also to the reduction in revenues from interconnection capacity allocation.

Operating revenues from profit allowed activities
(mil lei)



* ITC, reactive energy, OTC transactions, energy exchanges

The increase in revenues from transmission and other energy market revenues (1,988 million lei in 2023 compared to 1,930 million lei in 2022) was mainly influenced by the increase in the average tariff approved by ANRE, recording an increase of 144 million lei (+10%) compared to the same period of the previous year.

In the period January-December 2023 the **revenues from interconnection capacity allocation** decreased from 399 million lei in 2022 to 343 million lei in 2023 due to the following:

- Level of utilisation of available interconnection capacity by traders in the electricity market,
- The market for the allocation of interconnection capacity is fluctuating, with prices changing according to demand and the need for electricity market participants to purchase interconnection capacity,
- Implicit allocations, in which capacity and energy are allocated simultaneously, are

strongly influenced by variations in the price of electricity on European exchanges,

- the impact of the extension of market coupling which has the effect of levelling out energy prices in Europe, which is also one of the main objectives of Regulation (EU) 2015/1222 "establishing guidelines for capacity allocation and congestion management".

The mechanism for allocating interconnection capacity consists of annual, monthly, daily and intra-day auctions. Auctions on the Romania-Serbia border, long-term auctions on the borders with Hungary and Bulgaria and daily auctions on the border with Moldova are explicit - only transmission capacity is auctioned, while daily (borders with Hungary and Bulgaria) and intra-day (borders with Hungary and Bulgaria) auctions 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).

The use of the net revenues from the allocation of interconnection capacity is carried out in accordance with the provisions of the updated ANRE Order no.171/2019 and EU Regulation no. 943 of 05 June 2019 on the internal electricity market, as a source of financing investments for the modernisation and development of interconnection capacity with neighbouring systems.

Revenues from Inter TSO Compensation (ITC)

These revenues were higher (13.2 million lei) in 2023, compared to the same period in 2022 (4.1 million lei) and come mainly from the scheduled electricity exchanges with perimeter countries (countries not part of the ITC mechanism), namely Ukraine and Moldova.

Starting from 15.06.2023, the tariff for trade with perimeter countries has changed from 1.2 EUR/MWh to 3 EUR/MWh, leading to an increase in revenue compared to the same period last year. This was compounded by the fact that in February and March 2022, trade with Ukraine was severely curtailed due to the onset of armed conflict in the region and trade with Moldova only started in October 2022.

In addition, in June 2023 there were (exceptionally) revenues of EUR 1,031,634 (estimated at RON 5,137

million) from the monthly settlement, due to electricity flows transited in all countries participating in the mechanism.

Revenues from energy trading for own technological consumption (OTC) were mainly obtained from the sale of surplus energy resulting from the difference between the long- and medium-term forecast and the short-term forecast on the Intraday Market administered by OPCOM and from the difference between forecast OTC and actual OTC on the Balancing Market.

In 2023, the Company recorded a decrease compared to the same period of the previous year in revenues from energy trading for OTC in the amount of -32.8 million lei.

Revenues from Intraday Market transactions were about 15 times lower than in the same period of the previous year, as a large part of the required OTC was purchased 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.

Revenues from transactions on the Balancing Market were comparable to those achieved in the same period of the previous year, given the delegation of balancing responsibility to another PRE as of June 2022, as well as the fact that there were several intervals with negative balancing prices.

Revenues from capitalisation of own technological consumption (OTC)

As of 30 September 2022, the Company shall apply the provisions of GEO no. 119/2022, whereby the additional costs for the purchase of electricity made between 1 January 2022 and 31 March 2025 to cover its own technological consumption, compared to the costs recognised in the regulated tariffs, shall be capitalised on a quarterly basis.

Thus, the Company recorded significantly lower OTC capitalization revenues in 2023 (in the amount of 13.7 million lei), compared to 2022 (338.5 million lei).

Revenues from emergency aid

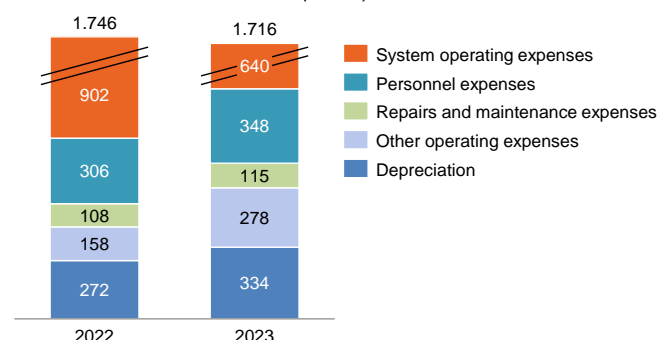
In the year 2023, the revenues from damage aids amounted to 31.8 thousand lei. The emergency aid was granted to Ukraine due to the damage to the energy infrastructure in this country as a result of armed conflicts and to the Republic of Moldova due to the accidental shutdown of groups and the non-purchase of energy to cover consumption due to high prices on the electricity market (DAM).

Operational expenses

On the segment of **activities with allowed profit**, expenses (including depreciation) recorded a decrease

of 2% (1,716 million lei in 2023 compared to 1,746 million lei in 2022), mainly influenced by the considerable reduction in OTC expenses.

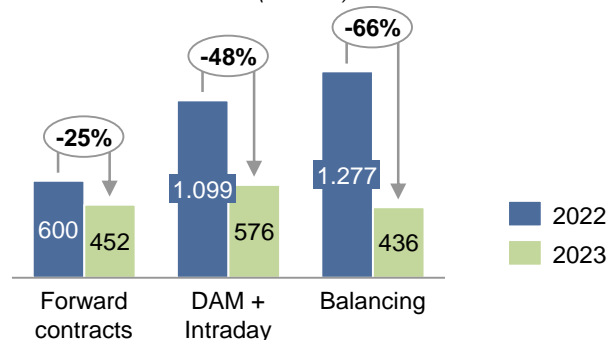
Operating expenses from allowed profit activities
(mil lei)



OTC: In the period January-December 2023 the costs for energy purchase to cover own technological consumption were 519 million lei, 37% lower (-308 million lei) compared to 2022, due to the following:

- Due to its characteristics, the OTC in the Electricity Transmission Grid (RET) is strongly dependent on weather conditions, the structure of electricity generation and consumption at national level, the distribution of electricity flows in the internal transmission network and on interconnection lines with neighbouring power systems, and its value is very little to no controllable in an interconnected and coupled regional power market;
- following the provisions of GEO 153/2022, Transelectrica purchased electricity to cover 75% of the quantity of the OTC forecast validated by the Centralised Electricity Purchase Mechanism (MACEE), at a regulated purchase price;
- measures taken at European level to make energy consumption more efficient, the replacement of Russian gas, the reduction in demand in the industrial area and the increase in the share of wind energy, in the context of an atypically warm winter, have led to a fall in consumption of quantities traded on the short-term markets and in energy prices on these markets.

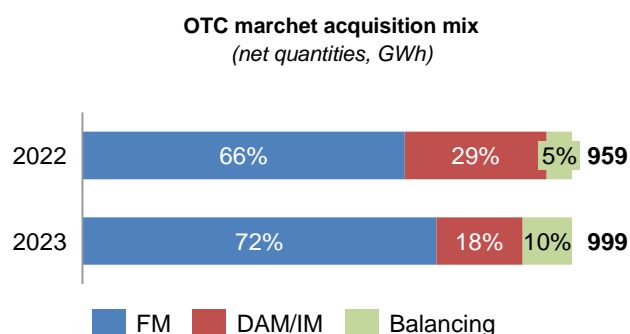
Average acquisition prices*
(lei/MWh)



*the average price was calculated at net value (purchases - sales)

Thus, the average price of energy purchased on the day-ahead and intraday market in 2023 was 48% lower than in the same period of 2022, but still higher than in previous years.

All markets have seen lower average prices than in 2022, and the (net quantity) purchase mix shows the following components in the two periods analysed:



Expenses on electricity consumption in RET stations in the amount of 37.7 million lei decreased by 5% compared to 2022 when it amounted to 39.6 million lei.

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

Expenses on Inter TSO Compensation (ITC)

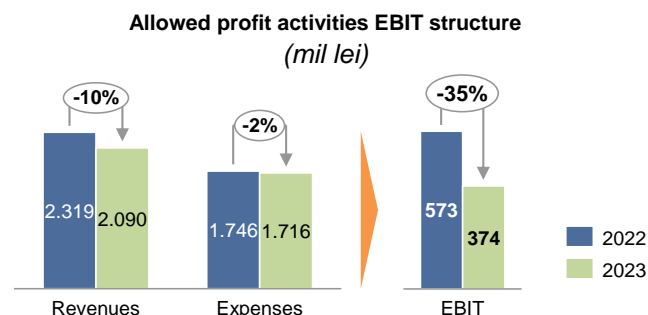
In the period January-December 2023 these expenses were 49 million lei higher than in the same period of the previous year and represent the monthly payment liabilities/collection rights for each transmission system operator (TSO) that are established under the mechanism for compensation/settlement of the effects of the use of the electricity transmission network (RET) for electricity transits between the TSOs that have joined this mechanism within ENTSO-E.

Depreciation and amortization expenses show an increase of 63 million lei mainly influenced by the recording of expenses with amortization of intangible assets - additional OTC. The additional costs with the purchase of electricity made in the period 1 January 2022 - 31 March 2025, in order to cover own technological consumption, compared to the costs included in the regulated tariffs, are capitalized on a quarterly basis, and the assets resulting from capitalization are amortized over a period of 5 years from the date of capitalization.

Allowed profit operating result

The activities with allowed profit recorded a positive result at the end of 2023 in the amount of 374 million lei,

but down by -199 million lei compared to the previous year, the reduction being mainly due to the non-recording of revenues from the capitalization of OTC at the level of the previous year's amount (a situation that arose as a result of the reduction in operating costs on the electricity market) and the decrease in revenues from the allocation of interconnection capacity.



Zero profit segment

Revenues from zero-profit activities decreased by 34% (-1,339 million lei) compared to the same previous year, from 3,967 million lei in 2022 to 2,628 million lei in 2023, mainly due to a decrease of -1,210 million lei in revenues on the balancing market and revenues from technological system services (-129.3), caused by the decrease in the tariff approved by ANRE.

The segment of **zero-profit activities** also recorded a decrease in costs by 30% (-1,178 million lei) from 3,946 in 2022 to 2,768 million lei in 2023, mainly due to lower expenses on the balancing market.

The balancing market was mainly influenced by the following elements:

- regulatory:
 - national regulations on the electricity market, namely GEO No 153 of 11 November 2022 for the modification 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 modification and completion of certain regulatory acts in the field of energy and the modification of GEO No 119/2022 for the modification 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 updated, as well as for the modification and completion of certain regulatory acts in the field of energy;
 - European legislative regulations on the energy market.
- on the functioning of the market:
 - energy market developments at European and regional level;

- the achievement manner of contracting 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.

Balancing Market Revenue/Balancing Market Expenses decreased by 35% in 2023 compared to 2022.

For the year 2024, it is expected that the evolution of national electricity production and consumption, the European context of the electricity market evolution and the way of contracting in the pre-balancing markets will have a significant impact on the evolution of revenues/costs in the balancing market.

System services are purchased by the Company from producers in order to ensure the maintenance of the safety level in operation of the NES and the quality of the electricity transmitted at the parameters required by the technical standards in force.

The contracting of these services is carried out:

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

The purchase 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 2023, the contracting of technological 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.

During 2023, **revenues from system services** decreased by 26% compared to the same period last year (359 million lei in 2023 compared to 488 million lei in 2022), due to the decrease in the tariff approved by ANRE for these services, while reducing the amount of electricity delivered to consumers by 3%.

The amount of **expenditure on system services** in 2023 increased compared to the same period in 2022, the difference between the two periods being 33 million lei.

The value of the STS procurement costs was mainly determined by the following factors:

- system service purchase prices in the competitive market have remained around values:
 - ✓ the average purchase price of the secondary regulation reserve at 79,86 lei/hMW;
 - ✓ average purchase price of fast tertiary reserve, power increase to 37.84 lei/hMW;
 - ✓ average purchase price of fast tertiary regulation reserve, power reduction to the value of 16,11 lei/hMW.
- the manifestation during 2023 of a high level of system service market concentration for secondary reserve (SR) system services.

For the year 2024, 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 the National Power Grid Company 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.

As of 01 April 2024, the ANRE Order on approving the terms and conditions for balancing, the ANRE President's Order no. 127/08.12.2021 approving the Regulation on terms and conditions for balancing service providers and frequency stabilization reserve providers and the Regulation on terms and conditions for balancing parties and amending and repealing certain orders of the President of the National Energy Regulatory Authority published in the Official Gazette no. 1196 of 17 December 2021, with subsequent amendments and additions, which defines the new types of reserves to be purchased by Transelectrica in accordance with the requirements of the European codes.

These are the Frequency Stabilisation Reserve (symmetrical band), the Frequency Restoration Reserve with automatic and manual activation, and the Replacement Reserve.

These reserves will be qualified as standard reserves, based on ANRE Order no. 89/2021 on the approval of technical qualification for the provision of system services.

The amount of system services actually procured will be adjusted by UnO-DEN based on the results of analysis of NES operation over time horizons closer to the day of operation.

These regulations will also have a significant impact on the development of the balancing market in 2024.

Zero profit operating result

EBIT generated by **zero-profit activities** recorded a negative result of 140 million lei. For the system services activity, according to ANRE regulations, the

revenue surplus/deficit compared to the recognized costs resulting from the performance of this activity is to be compensated by ex-post tariff correction (negative/positive correction) applied by ANRE in the tariff in the years following the one in which the surplus/deficit was recorded.

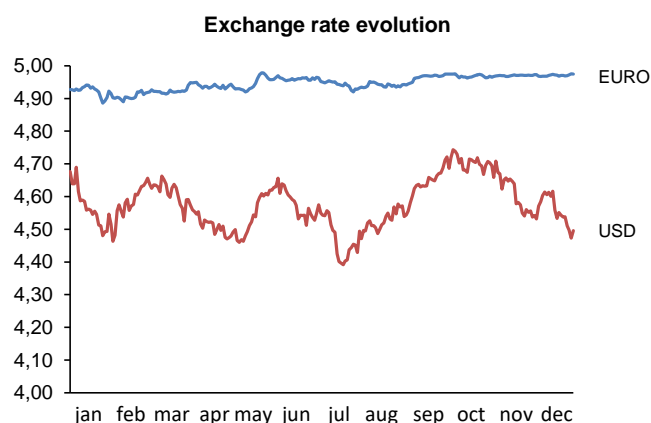
The surplus/deficit of revenue over costs resulting from carrying out this activity is calculated per tariff programming period.

II. Financial Result

The net financial result recorded in the period January-December 2023 is positive in the amount of 0.3 million lei, compared to a loss of 7 million lei in the same period last year, mainly influenced by interest received in the period under review.

The share of foreign exchange revenues/expense in total financial revenues/expense is high and is significantly influenced by the high volume of transactions related to the market coupling business segment.

The evolution of the RON/EUR and RON/USD exchange rate in 2023 is shown in the following graph:



III. Company Gross profit (EBT)

Total operating revenue

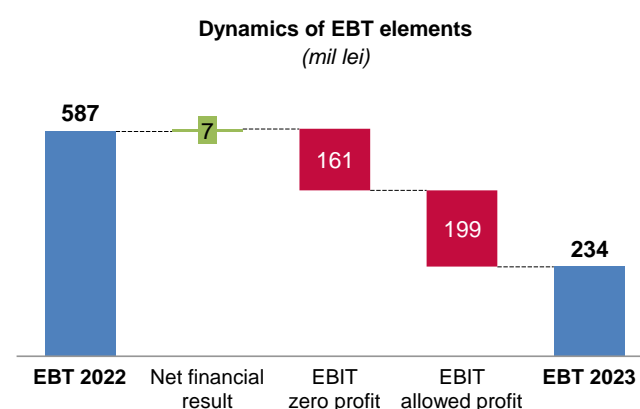
The total operating revenues achieved in 2023 registered a percentage decrease of 25% compared to the same period of the previous year (4,718 million lei in 2023 compared to 6,286 million lei in 2022), in the context of the significant decrease in revenues from zero-profit, revenues from the allocation of interconnection capacity, revenues from OTC capitalization and revenues from exchange rate differences.

Total operational expenses

Total operating expenses (including depreciation) in 2023 decreased by 21% compared to the same period last year, 4,484 million lei in 2023 compared to 5,692 million lei in 2022.

The gross result decreased during the period under review, from 587 million lei in the period January - December 2022 to 234 million lei in the period January - December 2023, a decrease not offset by the positive evolution of operating expenses, given the decrease in the amount of electricity delivered to consumers.

The dynamics between the result recorded in 2023 compared to 2022, broken down by the constituent components of the result, are shown in the following graph:



IV. Net result

The evolution of electricity production and consumption at national level, the European context of evolution of the electricity market led to a result of 214 million lei in 2023, a decrease of 58%, the reduction being mainly due to:

- lower revenues from the allocation of interconnection capacity, as well as from OTC transaction and contingency aid revenues,
- the variation of certain expense items such as: increase in ITC expenses, increase in expenses for system services, increase in certain expense items for services performed by third parties (recording expenses for revaluation of fixed assets, losses on receivables and sundry debtors, expenses for taxes and duties, expenses for implementation of pan-European codes, expenses for goods, etc.), as well as increase in expenses for depreciation (of which 68 million lei represent expenses for amortization of intangible assets - additional OTC).

FINANCIAL POSITION

The stand-alone statement of financial position as at 31 December 2023 versus 31 December 2022 is shown in the following table:

Stand-alone statement of financial position				
[mil RON]	2023	2022	Δ	Δ (%)
	1	2	3=1-2	4=1/2
Non-current assets				
Tangible assets	5,416	4,002	1,414	35%
Assets related to the usage rights of assets under leasing - buildings	14	22	(8)	(36%)
Intangible assets	282	338	(55)	(16%)
Financial assets	86	86	(0)	n/a
Total non-current assets	5,798	4,447	1,350	30%
Current assets				
Inventories	51	42	9	21%
Trade and other receivables	2,116	3,340	(1,225)	(37%)
Profit tax recoverable	-	4	(4)	n/a
Cash and cash equivalents	519	315	204	65%
Total current assets	2,686	3,702	(1,016)	(27%)
Total assets	8,484	8,149	335	4%
Shareholders' equities	5,190	3,869	1,322	34%
Non-current liabilities				
Long term deferred revenues	519	439	80	18%
Long term borrowings	32	56	(24)	(43%)
Other loans and assimilated debts - Non-current building lease liabilities	6	15	(8)	(56%)
Other non-current liabilities	360	178	182	103%
Total non-current liabilities	918	687	231	34%
Current liabilities				
Trade and other liabilities	2,242	3,372	(1,130)	(34%)
Short-term borrowings	25	92	(68)	(73%)
Other loans and assimilated debts - Current building lease liabilities	9	8	0	2%
Other current liabilities	100	120	(20)	(17%)
Income tax payable	0,4	-	0,4	n/a
Total current liabilities	2,376	3,593	(1,218)	(34%)
Total liabilities	3,294	4,281	(987)	(23%)
Shareholders' equities and liabilities	8,484	8,149	335	4%

Stand-alone cash flow statement				
[mil RON]	2023	2022	Δ	Δ (%)
Net cash generated from operating activities	670	478	192	40%
Net cash used in investment activity	(312)	(448)	136	30%
Net cash used in financing activity	(154)	33	(187)	n/a
Net increase/(decrease) in cash and cash equivalents	204	63	141	225%
Cash and cash equivalents as of 1 January	315	252	63	25%
Cash and cash equivalents at the end of the period	519	315	204	65%

I. Non-current assets

Fixed assets recorded in 2023 compared to December 2022 an increase of 30% (+ RON 1,350 million), due to both the increase in the value of tangible assets in progress and the recording of depreciation of tangible assets and the result of the revaluation of assets recorded in the Company's private assets.

Assets related to the usage rights of assets under leasing - buildings

Leasehold assets - buildings represent the right to use the premises leased by the Company in the Platinum office building as defined by IFRS 16 - Leases. From 01.10.2020 the lease agreement valid for a period of 5 years came into force.

As of 31 December 2023, the accounting value of the right of use of the premises leased by the Company in the Platinum office building is in the amount of RON 13.9 million.

Intangible assets

The evolution of intangible assets was mainly influenced by:

- capitalisation of the amount of 13.7 million lei representing additional costs for the purchase of electricity to cover own technological consumption compared to the cost recognised in the tariff.

Thus, the depreciation expense for the additional OTC previously recognised totalled RON 68.04 million.

As at 31 December 2023, the carrying amount of intangible assets resulting from the capitalisation of the additional OTC is RON 270.2 million.

As of 30 September 2022, the Company shall apply the provisions of GEO no. 119/2022, whereby the additional costs for the purchase of electricity made to cover its own technological consumption compared to the costs recognised in the regulated tariffs shall be capitalised on a quarterly basis.

Thus, capitalised costs are amortised over a period of 5 years from the date of capitalisation and are remunerated at 50% of the regulated rate of return approved by the National Energy Regulatory Authority applicable over the amortisation period of those costs and are recognised as a separate component.

- an outflow of intangible assets in progress through recognition in costs of 5.5 million lei.

II. Current assets

Current assets as at 31 December 2023 (2,686 million lei) decreased by 27% compared to the amount recorded as at 31 December 2022 (3,702 million lei),

mainly due to the reduction in trade receivables and advances to suppliers.

Trade receivables decreased by RON 648 million (RON 1,745 million at 31 December 2023 compared to RON 2,394 million at 31 December 2022). The most significant developments were:

- customers from operational activity which due to the decrease in energy consumption generated a lower balance of receivables from operational activity (1,004 million lei as at 31 December 2023 compared to 1,696 million lei as at 31 December 2022).

The main outstanding customers on the electricity market are IBEX, Ciga Energy SA, Cinta Energy SA, Electrica Furnizare SA, OPCOM, MAVIR, Hidroelectrica, RAAN, JAO, PPC Energie SA. Their share is 71.72% of total trade receivables.

- customers - balancing market which, due to the increase in the volume of transactions in the balancing market in 2023 compared to the same period in 2022, also led to an increase in the balance of customers in contracts concluded for this type of activity (594 million lei on 31 December 2023 compared to 564 million lei on 31 December 2022).
- customers - support scheme, which recorded an increase of 9%, mainly due to the increase in the amount invoiced for the collection of the monthly contribution.

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

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

As at 31 December 2023, the Company records receivables in the amount of 144 million lei, represented by invoices issued in relation to the bonus support scheme for the promotion of high efficiency cogeneration, of which mainly:

- overcompensation for the period 2011-2013 in the amount of 76.70 million lei, respectively from RAAN - 63.46 million lei and CET Govora SA - 13.23 million lei;
- Undue bonus for 2014 in the amount of 3.91 million lei, respectively from RAAN - 1.98 million lei, and CET Govora - 1.93 million lei;
- uncollected contribution for cogeneration from electricity consumer suppliers in the amount of 21.2

million lei, respectively from: Transenergo Com - 5.88 million lei, PetProd - 4.39 million lei, Romenergy Industry - 2.68 million lei, RAAN - 2.38 million lei UGM Energy - 1.50 million lei, etc.

Up to the date of this report, the Company has fully collected the receivables related to the overcompensation of the activity regarding the support scheme for 2022 (amount of 34.13 million lei), from CET Govora (13.7 million lei), and Electrocentrale București (20.4 million lei), as well as the amount of 1.8 million lei from the undue bonus established by ANRE Decisions for 2022.

Other receivables as at 31 December 2023 in the amount of 213 million lei mainly include:

- sundry debtors (111.4 million lei), of which:
 - late payment penalties calculated for defaulting customers in the amount of 90.1 million lei (of which 35.15 million lei are penalties related to the support scheme).

The highest late payment penalties were recorded by the customers Romelectro (37 million lei), RAAN (16.9 million lei), CET Govora (9.6 million lei), Electrocentrale București (9.4 million lei), OPCOM (3.3 million lei), Total Electric Oltenia (3.3 million lei), ICPE Electrocond Technologies SA (1 million lei).

- compensation owed by suppliers for non-delivery of electricity: Arelco Power (RON 0.99 million), Enol Grup (RON 2.54 million) and Next Energy Partners (RON 8.39 million).
 - the receivable to be recovered from OPCOM representing the VAT related to the contribution in kind to the share capital of the subsidiary in the amount of 4.52 million lei.
- amounts received in the form of subsidies (49.1 million lei), of which 49 million lei related to connection contracts to the RET;
- expenses recorded in advance in the amount of 9.5 million lei mainly represented by internal and international dues (7.5 million lei), insurance policies (0.9 million lei), rent and maintenance of office building (0.8 million lei) miscellaneous services and others;
- other social receivables in the amount of 2 million lei representing sick leave paid by the employer to employees, amounts to be recovered from the National Health Insurance House, according to the legislation in force.

Advances to suppliers paid as at 31 December 2023 are represented by suppliers debtors for services in the amount of 152 million lei have decreased significantly compared to December 2022 when they were in the amount of 697 million lei.

The balance mainly represents amounts from transactions related to the price coupling mechanism (ICP - *Interim Coupling Project*, SIDC - *Single Intraday Coupling*, SDAC - *Single Day-ahead Coupling*) amounting to 117.2 million lei - for ICP and SDAC and 32.8 million lei - for SIDC.

The start of the successful SDAC Single Day-ahead Coupling took place on 28 October 2021 and is the result of the 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 Transelectrica.

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

Within 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.

The **VAT to be recovered** in the amount of 215.1 million lei relates to the VAT returns for the period September - December 2023 and October 2020, of which, as of the date of this report, the amount of 90 million lei has been collected, representing the value added tax claimed for refund for the months of September and October 2023.

The largest impairment adjustments existing in the balance at 31 December 2023, represent trade receivables and related penalties for Romelectro SA (37.5 million lei), JAO (30 million lei), CET Govora (25 million lei), Arelco Power (RON 14.8 million), Total Electric Oltenia SA (RON 14.2 million), Romenergy Industry (RON 13.5 million), Elsaco Energy (RON 9.3 million), RAAN (RON 8.5 million), Next Energy Partners (RON 8.4 million), OPCOM (RON 8.2 million).

Liabilities

Non-current liabilities in the amount of 918 million lei as of 31 December 2023 increased by 34% compared to the amount of 687 million lei as of 31 December 2022.

Interest-bearing liabilities

As at 31 December 2023 the amount of non-current borrowings decreased by 43% (-23.7 million lei) compared to 31 December 2022 mainly due to repayments under existing loan agreements.

At the same time, the amount of short-term borrowings decreased from the balance of 92 million lei in December 2022 to 25 million lei on 31 December 2023.

The company has concluded loan agreements with Romanian Commercial Bank and Transilvania Bank for a period of 12 months to finance the bonus support scheme for high-efficiency cogeneration and to finance the working capital of the company.

As of December 31, 2023, the line of credit is undrawn.

Short-term liabilities decreased by 34% from 3,593 million lei as at 31 December 2022 to 2,376 million lei as at 31 December 2023, mainly due to the decrease in trade and other liabilities:

- **suppliers on the energy market**, which decreased by 615 million lei and recorded a balance of 1,341 million lei on 31 December 2023 compared to 1,956 million lei on December 2022.

This development was mainly influenced by:

- decrease in *the balance of liabilities related to operating activities* by 746 million lei, which was mainly determined by the payment when due, in 2023, of the payment liabilities outstanding on 31 December 2022, mainly resulting from the coupling of electricity markets.

The suppliers on the electricity market are mainly represented by OPCOM, MAVIR, IBEX, Hidroelectrica SA, Joint Allocation Office, Complexul energetic Oltenia SA, CIGA Energy SA, Electrica Furnizare SA, CINTA Energy SA, Engie Romania.

On 31 December 2023, their share of total energy suppliers is about 94.27%.

- *the increase in the balance of "liabilities related to the balancing market"* by 34.3 million lei was due to the increase in the volume of transactions recorded on the balancing market in the fourth quarter of 2023 compared to the fourth quarter of 2022.

- *the increase of the liabilities related to the support scheme to suppliers (producers)* by 95,5 million lei was due to the increase of the monthly bonus for high efficiency cogeneration from December 2023 to December 2022.

- **suppliers of assets** increased by RON 38.9 million due to the increase in the volume of transactions recorded related to investments in progress,
- **Suppliers other activities** increased by RON 35.1 million, mainly due to liabilities related to services rendered by third parties, not yet due, which have appreciated compared to 31 December 2022,

- **"Other payables"** decreased significantly by 599.3 million lei, from a balance of 1,235.9 million lei as at 31 December 2022 to 637 million lei as at 31 December 2023, on the back of the evolution of *creditor customers*.

The structure of "other liabilities" is as follows:

- *Other creditors amounting* to 312 million lei (decreased by 77.8 million lei compared to 31 December 2022) are mainly represented by the net position of the support scheme for high efficiency cogeneration, liability position (294 million lei), contracts for solution studies for connection to the RET (14 million lei), royalty quarter IV 2023 (2 million lei),
- *creditor customers* as at 31 December 2023 in the amount of RON 246 million (decreased by RON 524 million compared to 31 December 2022) and represent amounts received in advance in transactions related to price coupling mechanisms, ICP (Interim Coupling Project), SIDC (Single Intraday Coupling), SDAC (Single Day-ahead Coupling) and FBMC (Flow Based Market Coupling), from MAVIR (RON 42.2 million), OPCOM (RON 71.6 million), IBEX (RON 131.3 million) and JAO (RON 0.72 million),
- *the liability for assets related to the usage rights of assets under leasing - buildings*, according to IFRS 16 - Leases, is in the amount of RON 8.6 million (short-term liability),
- *other liabilities* in the amount of 62.9 million lei are mainly represented by guarantees of good payment of contracts on the electricity market concluded by Transelectrica in the amount of 38.3 million lei and VAT not due during the reporting period in the amount of 24.3 million lei.

Provisions decreased by RON 3 million at 31 December 2023 (RON 65 million) compared to 31 December 2022 (RON 68 million).

Shareholders' equities

The increase in equity was mainly influenced by the impact of the revaluation of tangible assets by recording the surplus from revaluation reserves in the amount of RON 1,192.5 million and by the recognition in retained earnings of net profit in the amount of RON 214 million.

Thus the equity capital as of 31 December 2023 is 5,190 million lei compared to 3,869 million lei as of 31 December 2022.

SHARE PERFORMANCE

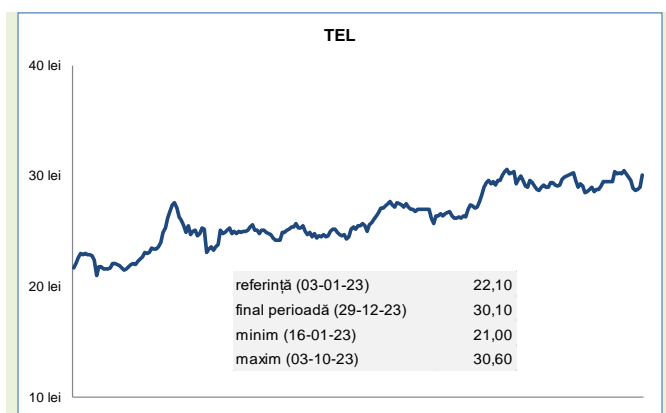
Symbol:	TEL
ISIN:	ROTSELACNOR9
Type:	Shares
Segment:	Main
Category:	Premium
Status:	Tradeable

The year 2023 started with a trading price of 22.10 lei/share, opening the way to the maximum price of the period of 30.60 lei/share recorded on 03.10.2023, a historical maximum over the last 6 years.

The final price of the period brought TEL shares an increase of 36.20%, a higher return than the BET (27.95%), BET-NG (26.81%) indices and the Company a market capitalization of 2,206 million lei.

Trading of TEL shares during 2023 on the Romanian capital market recorded 22,873 transactions with an average number of 92 transactions/day and 3,560,982 shares traded, with a total value of 92,409 thousand lei.

Evolution of TEL action

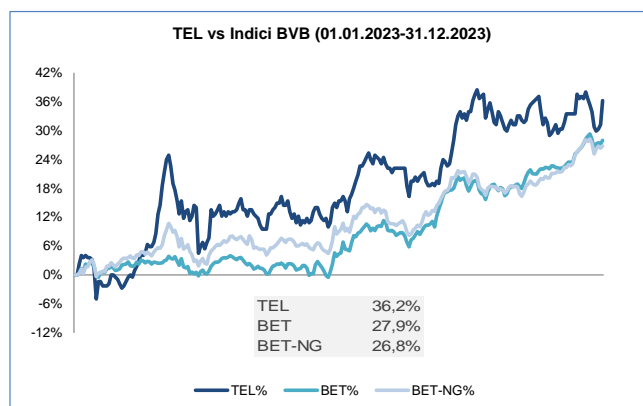


Transelectrica shares are part of the structure of the following stock market indices: BET, BET-NG, BET-TR, BET-XT, BET-XT-TR, BET-BK, BETPlus, BET-TRN, BET-XT-TRN. Of these the most representative for the Company are:

- BET index (Bucharest Exchange Trading - the benchmark index of the capital market reflecting the evolution of the 20 most liquid companies listed on the regulated market of the BVB),
- BET-NG index (Bucharest Exchange Trading Energy & Related Utilities - sector index reflecting the evolution of energy and related utilities companies listed on the BVB regulated market).

According to the latest periodic adjustment date recorded on 08.12.2023, TEL shares have a weighting of 1.39% in the BET index and 2.57% in the BET-NG index.

Internationally, TEL shares have been promoted since August 2023 in the MSCI Frontier and MSCI Romania indices. The evolution of the TEL share in relation to the two indices is shown in the graph below:



MAIN RISKS AND UNCERTAINTIES

The analysis of decision problems under risk involves an evaluation of decision alternatives, their consequences, considering that the effects of decisions are not known with certainty.

In these cases, the optimal price is the one that maximises the expectation, i.e. reveals the probable or expected value of the outcome.

A thorough knowledge of the threats allows them to be prioritised according to the likelihood of their occurrence, the extent of the impact on the objectives

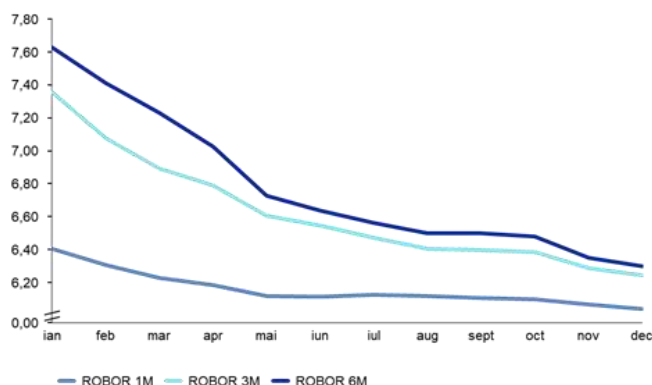
and the costs of measures to reduce the likelihood of their occurrence or to limit undesirable effects.

The Company regularly and systematically analyzes the risks related to the performance of its own activities, and draws up a Register of identified risks and a Plan for the implementation of appropriate control measures to limit the possible consequences of these risks, in accordance with the legal provisions.

Items that may affect the Company's liquidity include:

➤ interest rate fluctuation

In order to limit the impact of interest rate fluctuations on the Company's liquidity, non-current borrowings were contracted with fixed interest rates and negotiated favourable interest rates. Domestic money market interest rates have been on a downward trend over the last 12 months, reflecting the excess liquidity in the banking system, coupled with lower demand for loans and tighter credit supply conditions.



➤ exchange rate change

Currency risk expresses a probability of incurring losses on international commercial contracts or other economic relationships due to changes in the exchange rate of the currency between the conclusion of the contract and its maturity.

One way to avoid such effects is to include a currency clause or a price revision clause in the contract. The application of various non-contractual measures may relieve the Company from the presence of negative effects.

In order to limit the impact of exchange rate fluctuations, the Company negotiates the best exchange rates through its specialised department.

In order to meet its foreign currency obligations, the Company has opened foreign currency accounts with commercial banks within the Romanian banking system.

The exposure to foreign exchange risk (mainly due to the EUR currency) is not significant, thus the Company does not use hedging instruments.

In the context of increasing relative attractiveness of domestic currency investments, the leu has shown a strengthening trend against the euro since mid-January 2023. At the same time, the national currency experienced periods of appreciation between January and December 2023 as a result of developments in international financial markets.

➤ the provisions of the grant agreements

In the financing contracts, there are clauses on compliance with financial indicators (covenants), changes of control over the Company, pari passu clauses, breach of which may result, subject to prior notice and reasonable time, in early repayment of the financing facilities.

As of the date of this report, there have been no instances of non-compliance with the provisions of the Company's funding agreements.

➤ risk of non-compliance with legal conditions

The liquidity of the Company could be affected by penalties due to non-compliance reported during regular control activities by the competent bodies (ANAF, CCR, MFP, etc.). This risk did not materialise during the period under review.

➤ **the level of taxation**, including the introduction of new taxes and duties. In the first half of 2023, this risk did not materialise;

➤ **At the level of taxation**, the provisions of Law 296/2023 and GEO 115/2023 did not have an impact on the Company's liquidity.

In conclusion, this risk did not materialise during the period under review.

➤ **cash-flow risk** - this is the risk that Transelectrica will not be able to meet its payment obligations when due. A prudent cash-flow risk management policy involves maintaining a sufficient level of cash, cash equivalents and financial availability through appropriately contracted credit facilities. The Company monitors the level of cash inflows expected from the collection of trade receivables as well as the level of cash outflows expected for the payment of trade and other payables.

The Company pays increased attention to effective treasury management through efficient cash flow management and optimization of surplus liquidity to meet financial obligations as they fall due, as well as the availability, if necessary, to draw on financing through appropriate credit facilities.

For situations requiring working capital financing, the Company draws on current borrowings in the form of credit lines.

At the date of this report, the Company has 2 credit lines of 175 million lei each, whose validity expires in March 2024.

Other risks that may affect the Company's financial performance may include:

- **the risk of credit rating deterioration due** to worsening financial indicators, macroeconomic and political climate and/or worsening financial performance of the Company.

This risk reflects a complex of factors, with a potential effect on increasing funding costs in the credit market, which may significantly affect the Company given the substantial amount of capital required to be attracted to finance the investment plan for the coming years.

In 2023, Moody's rating agency reconfirms the rating assigned to the Company in 2022 (Baa3, stable outlook).

- **investment risk** due to financial difficulties at subsidiary level caused by both historical debt, competitive environment.

The company attaches due importance to analysing the risk environment and identifying possible risks early on by adopting a reactive management style whereby it implements preventive measures in advance to mitigate the occurrence of risks.

At the same time, the periodic review of risks, as provided in the standards, involves providing the necessary and sufficient financial resources, with the aim of controlling, eliminating, mitigating or transforming the action of the risks so as to reach an optimization of the resources which the Company has.

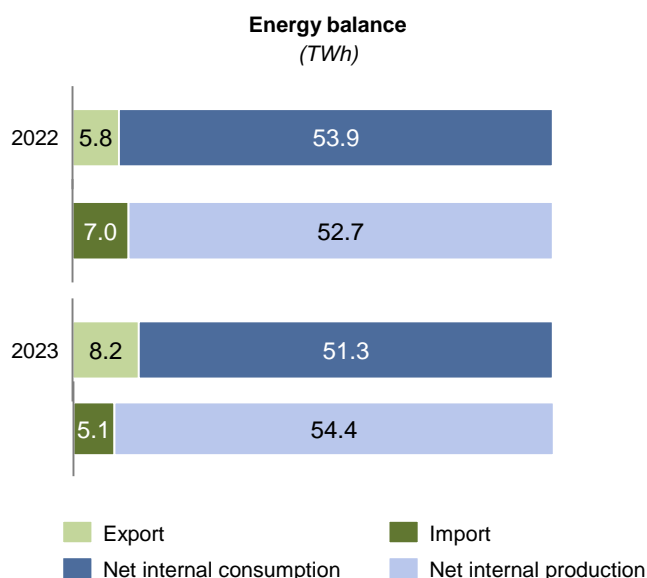


Operational data

ENERGY BALANCE WITHIN SEN

Analysing the evolution of the components of the energy balance, in the period January - December 2023 compared to the same period in 2022, there is a 5% decrease in net domestic consumption¹ and a 3% increase in net energy production.

Physical cross-border export trade in 2023 increased by 42% compared to 2022, while cross-border import flows decreased by 27%.



In the first 10 months of 2023, electricity consumption at NES level recorded monthly decreases, ranging from 1.02% in October to 11.61% in January.

Since November consumption has recorded an upward trend with values ranging from 0.64% in November to 2.06% in December. The year 2023 ended with a reduction in consumption of 4.9%.

The reduction in consumption at year level was mainly due to:

- an annual average temperature 0.76° C higher in 2023 than in 2022 (with larger differences especially in the cold season, which led to a reduction in heating from electric sources), and

¹ the values do not include consumption related to own services in electricity generation plants; the net consumption value includes losses in transmission and distribution networks, pump consumption in pumped storage hydro stations as well as storage consumption

- the continuous increase in installed power at prosumers.

The decrease in consumption in the first quarter was largely influenced by average monthly temperatures, which showed positive anomalies and were generally above climatological norms.

Another element that led to the reduction of national electricity consumption is the entry into force of Regulation (EU) 2022/1854 of 6 October 2022 on emergency action to tackle high energy prices.

Article 3 para. (1) provides that Member States shall endeavour to implement measures to reduce their total gross monthly electricity consumption by 10% compared to the average gross monthly electricity consumption in the corresponding months of the reference period².

The decline in consumption in the second quarter was largely influenced by the European context, characterized by a slowdown in economic activity³, with GDP growth forecast for Romania for spring 2023 at 3.2%, compared to 4.7% in the same period last year.

Another determining factor has been the continuous increase in installed capacity of prosumers, from around 630 MW at the beginning of April to around 970 MW at the end of June.

The third quarter of 2023 was characterized by a further decrease in measured consumption, with values ranging from 5.27% in July to 2.95% in August.

The decrease was largely due to the continued increase in consumer prices and services, which created a stronger than expected impact on electricity consumption growth⁴, although energy prices continued to follow a downward trend.

² Article 4(1): Each Member State shall identify the peak hours corresponding in total to a minimum of 10 % of the total number of hours in the period from 1 December 2022 to 31 March 2023.

³ https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/spring-2023-economic-forecast-improved-outlook-amid-persistent-challenges_en

⁴ https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/summer-2023-economic-forecast-easing-growth-momentum-amid-declining-inflation-and-robust-labour_en

Although the 2023 summer tourist season was a busy one across most of Europe, the slowdown in bank lending to the economic sector through monetary policy tightening led to a continued downturn in the economic sector which was implicitly reflected in electricity consumption.

On the other hand, a decisive factor in the decrease of metered consumption is the continuous increase of the installed capacity of prosumers, which reached about 1,060 MW on 31.08.2023.

Assuming for the generation of these prosumers a similar percentage of installed capacity as in the PV power plants whose energy is metered, the estimate was that in the third quarter of 2023 the consumption fed by this generation represented at least 2% of the NES consumption.

PRODUCTION MIX

In terms of production mix, in the period January - December 2023 compared to the same period in 2022, there was an increase of 30% in the hydro component, 1% in the nuclear component and 3% in the renewable component, and a decrease of 15% in the thermal component.

Starting in the third quarter of 2023, battery generation was introduced into the generation mix, totalling 2.3 GWh at the end of the year.

Analysing the weights of the components of the net production mix for the period January - December 2023, it can be seen that the largest share, 33%, is represented by the Hydro component, followed by the Thermo component 30%, and energy produced from

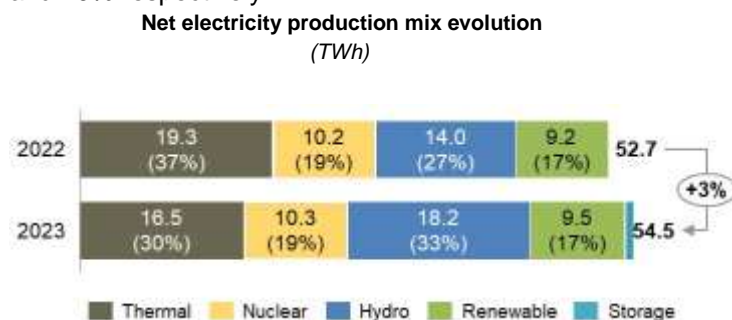
The first month of the fourth quarter continued the downward trend in consumption (-1.02% in October

2023) that was seen in the first 9 months of 2023, but from November onwards, energy consumption at NES level showed slight increases, ranging from 0.64% in November to 2.06% in December.

The evolution of consumption in the fourth quarter was influenced both by higher average monthly temperatures than in 2022, with a positive deviation of 1.7° C in October and 0.2° C in December, and a negative deviation of 0.9° C in November.

In addition, the decrease in the number of hours of insolation has led to a decrease in the production generated by prosumers. It should be noted that on 1 December 2023, the installed capacity of prosumers was 1,388 MW.

renewable and nuclear sources have a share of 17% and 19% respectively.



NATIONAL PRODUCTION PARK

In 2023, the installed capacity in thermal power plants decreased by about 10%, from 6,052 MW installed on 31 December 2022 to 5,447 MW installed on 31 December 2023.

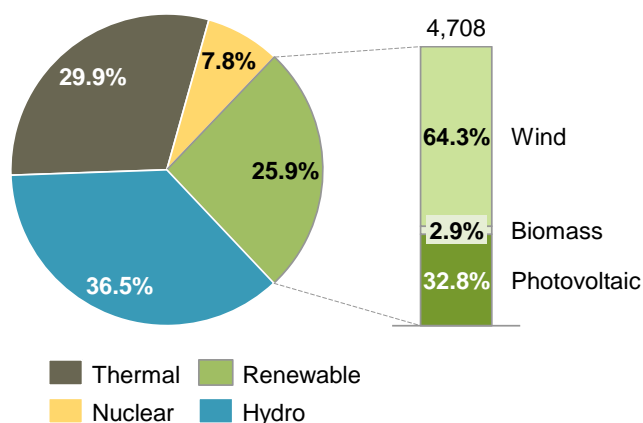
On January 1st 2024, the gross installed capacity in the NES totalled 18,210 MW, with the following structure by primary energy sources: coal - 2,762 MW (1,909 MW net), hydrocarbons - 2,684 MW (2,244 MW net), nuclear - 1,413 MW (1,300 MW net), hydro - 6,643 MW (6,314 MW net), wind - 3,027 MW (2,966 MW net), photovoltaic - 1,543 MW (1,450 MW net), biomass - 138 MW (126 MW net).

As regards the installed capacity in storage facilities, on 01.03.2024 this totalled 16.2 MW, of which only 7 MW qualified for the provision of system services, the difference of 9.2 MW being in facilities (batteries) connected mainly in wind power plants, not qualifying for participation in the Balancing Market.

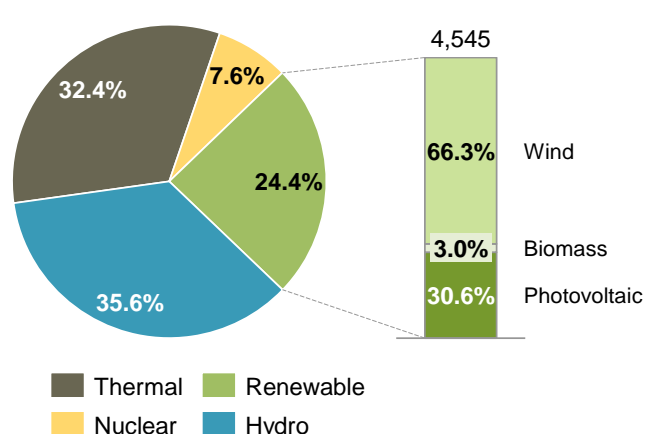
During 2023, power plants totalling 624 MW were commissioned, with the following structure: 56 MW hydrocarbon, 72 MW wind, 496 MW photovoltaic, of which only 48 MW belonging to CEF Calugareni were licensed by ANRE.

The installed capacity for the period January - December 2023 and 2022 is shown in the following graphs:

Installed power 2023 (18,210 MW. gross value)



Installed power 2022 (18,652 MW. gross value)



CROSS-BORDER FLOWS

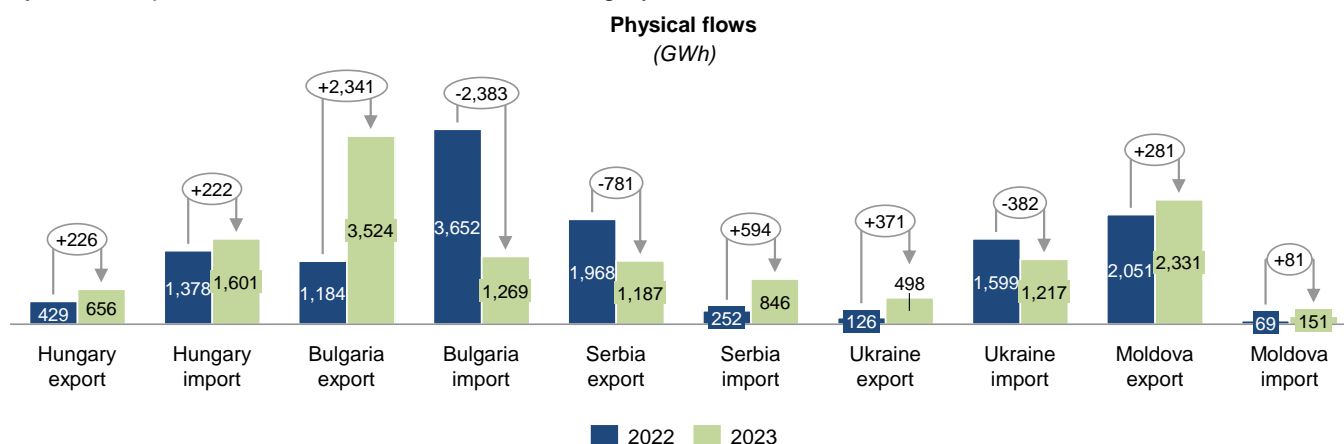
The distribution of **physical** import/export flows on interconnection lines in the period January - December 2023 compared to January - December 2022 is as follows:

- exports decreased on the border with Serbia, and increased on the border with Hungary, Bulgaria, Ukraine and Moldova, and
- imports increased on the border with Hungary, Serbia and Moldova and decreased on Bulgaria and Ukraine.

Specifically, compared to January - December 2022, physical export flows increased with Hungary

(+226GWh), Bulgaria (+2.341GWh), Ukraine (+371GWh) and with Moldova (+281GWh) and decreased on the border with Serbia (-40% -781GWh), concomitant with the increase of physical import flows on interconnection lines with Hungary (+222GWh), Serbia (+594GWh), Moldova (+81GWh) and decrease on Bulgaria (-65% -2.383GWh), and Ukraine (-24% -382GWh).

The physical flows of both imports and exports at each border are shown below:

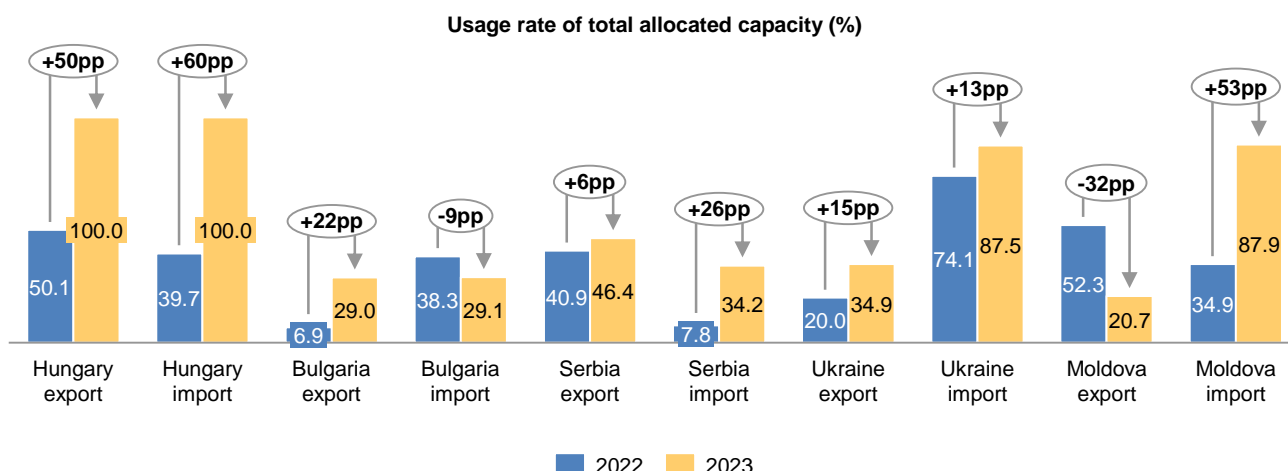


Compared to the same period in 2022, there was an overall increase in the **utilisation of capacity** allocated for export, against a background of higher hydroelectricity compared to last year and domestic electricity consumption that did not vary much compared to the same period in 2022.

A significant impact in the increase of transit energy has had the Government Emergency Ordinance no. 119 of 1 September 2022, amending and supplementing the Government Emergency Ordinance no. 27/2022 on measures applicable to end customers in the electricity and natural gas market, updated, and amending and supplementing certain regulatory acts in

the field of energy, which introduces a solidarity tax for companies that export electricity.

On the border with Hungary, the utilisation rate is 100%, both import and import, as short-term auctions are default auctions (capacity and energy are allocated simultaneously), and since January 2023, there has been a complete switch in long-term auctions from the Physical Capacity Rights allocation mechanism to the Financial Capacity Rights allocation mechanism (capacity allocated in annual and monthly auctions is no longer a physical right that can be used by the participant, but only a financial right of the participant).



The degree of utilisation of total capacity rights on a border and direction is the ratio, expressed as a percentage, of the energy corresponding to trade carried out (notified) in a month to the energy corresponding to total capacity rights.

Trade includes the amount of electricity imported and exported as a result of Transelectrica's participation as an operational member in the European Imbalance Netting Platform (IGCC) from 17 December 2021.

On the implications for the synchronous interconnection of the electricity transmission systems of the Republic of Moldova and Ukraine with the Continental European system through Romania, Hungary and Slovakia:

- from 16.03.2022 the emergency synchronization of the power systems of Ukraine and the Republic of Moldova with the power system of Continental Europe was achieved. This acceleration of the synchronization project, which started in 2017, was made possible as a result of previously conducted studies and the adaptation of measures to reduce risks in the operation of power systems;
- The synchronous interconnection of the electricity transmission systems of the Republic of Moldova and Ukraine with the European electricity system has led to a reduction of the own technology consumption in the Romanian electricity transmission network, mainly due to a more favourable distribution of flows on the interconnection power lines;

OWN TECHNOLOGICAL CONSUMPTION

For the full year 2023, the OTC in RET increased by 4.2% compared to 2022, mainly due to more unfavourable physical flows on interconnection lines in the period January-June and September-November and unfavourable weather conditions especially in the months January-April, June-July, October and November, characterised by higher rainfall amounts which increased corona losses.

- The synchronous interconnection of the electricity transmission systems of the Republic of Moldova and Ukraine with the electricity system of Romania has contributed to the expansion of the electricity market, providing the opportunity for regional electricity trade between Romania, Ukraine and the Republic of Moldova in the current context of the single European electricity market;
- In the current geopolitical context, the synchronous interconnection of the electricity transmission systems of the Republic of Moldova and Ukraine with the Continental European system will put pressure on the neighbouring power systems (Romania, Hungary and Slovakia) in terms of ensuring interconnected operation, i.e. regional adequacy, given the difficulties experienced by the Republic of Moldova and Ukraine in securing their electricity needs;
- on the border with Ukraine, capacity allocation auctions are currently suspended as of 16.01.2023, until coordinated allocation rules are agreed, and on the border with the Republic of Moldova, long-term capacity allocation auctions (annual and monthly) are currently suspended, with only daily bilateral coordinated capacity allocation being organised for 100% of total capacity (auctions organised by Romanian TSOs).

Relative to energy entering the contour, losses increased from 2.20% to 2.37%, while energy entering the RET contour was 3.1% lower than in 2022.

Due to its characteristics, the Own Technological Consumption (OTC) in the Electricity Transmission Network (RET) is strongly dependent on weather 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.

Factors that significantly influenced the OTC in the period January - December 2023, such as rainfall and the distribution of physical cross-border flows, are not under Transelectrica's control.

FACTORS EVOLUTION OTC

In January 2023 OTC increased compared to January 2022 by 3.5%, as a result of unfavourable physical import/export flows on interconnection lines on the borders with Ukraine, Hungary and Serbia leading to increased transmission of energy away from sources and unfavourable weather conditions characterised by higher rainfall amounts leading to increased corona losses.

The percentage of losses relative to energy entering the RET increased from 2.42% in 2022 to 2.62% in 2023. Energy entering the meter decreased by 4.2% in January 2023 (171.9 GWh) compared to the same period in 2022, due to a 41.9% (212.7 GWh) decrease in energy received from imports and a 0.9% (28.8 GWh) decrease in energy received from generators connected to the RET, as energy received from the RED increased by 21.9% (69.5 GWh).

In February 2023 OTC increased compared to February 2022 by 17.6% as a result of unfavourable physical import/export flows on the interconnection lines on the borders with Ukraine, Hungary and Serbia which led to increased transmission of energy away from sources, but also unfavourable weather conditions with higher rainfall amounts which increased corona losses. The percentage of losses to energy entering the RET increased from 2.04% in 2022 to 2.42% in 2023. Energy entering the grid decreased by 1% (36.0 GWh) in February 2023 compared to the same period in 2022, due to a 42.1% (230.7 GWh) decrease in energy received from imports, amid a 3.4% (92.7 GWh) increase in energy received from generators connected to the RET and a 46.7% (102 GWh) increase in energy received from the RED.

In March 2022 OTC decreased compared to March 2022 by 3.5%, mainly as a result of the decrease in energy entering the RET contour and the more advantageous distribution of generation in the territory, which led to a reduction of remote energy transmission to sources.

The percentage of losses in relation to energy entering the RET increased from 2.36% in 2022 to 2.57% in 2023. Energy entering the grid decreased by 11.7% (432.3 GWh) in March 2023 compared to the same period in 2022, due to the decrease of energy received

from generators directly connected to the RET by 0.9% (24.6 GWh), energy received from imports by 54.4% (441 GWh), while energy received from the RED increased by 12.9% (33.3 GWh).

Weather conditions were unfavourable, with higher rainfall leading to increased corona losses.

In April 2023 OTC increased compared to April 2022 by 0.7%, due to unfavourable physical import/export flows on interconnection lines on the borders with Ukraine, Hungary and Serbia leading to increased transmission away from sources, and unfavourable weather conditions with higher rainfall in areas with higher transmission line density leading to increased corona losses.

The percentage of losses relative to energy entering the RET increased from 2.49% in 2022 to 2.63% in 2023. Energy entering the meter decreased by 4.7% in April 2023 (159.8 GWh) compared to the same period in 2022, due to a 68.7% (308.3 GWh) decrease in energy received from imports, as energy received from generators connected to the RET increased by 0.6% (15.9 GWh) and energy received from the RED increased by 39.6% (132.6 GWh).

In May 2023 OTC increased compared to May 2022 by 12.8% as a result of the more unfavourable generation structure mainly due to the non-operation of the OMV Petrom CECC and physical flows on the interconnection lines, which led to an increase in the transmission of energy away from sources. Weather conditions were also more unfavourable, characterised by somewhat higher amounts of rainfall in areas with higher density of transmission lines, leading to increased corona losses.

The percentage of losses relative to energy entering the RET increased from 1.9% in 2022 to 2.29% in 2023. Energy entering the grid decreased by 6.6% (217.9 GWh) in May 2023 compared to the same period in 2022, due to an 8.3% (221.8 GWh) decrease in energy received from generators connected to the RET and an 18.4% (63.2 GWh) decrease in energy received from imports, amid a 24.4% (67.1 GWh) increase in energy received from the RED.

In June 2023 OTC increased compared to June 2022 by 24.2%, as a result of the somewhat more disadvantageous distribution of generation in the territory and physical flows on interconnection lines, which led to increased transmission of energy away from sources, but mainly as a result of unfavourable weather conditions, characterised by much higher rainfall, which led to a significant increase in corona losses.

The percentage of losses relative to energy entering the RET increased from 2.11% in 2022 to 2.69% in

2023. Energy entering the grid decreased by 2.7% (89.9 GWh) in June 2023 compared to the same period in 2022, due to a decrease of 6.3% (164.4 GWh) in energy received from generators directly connected to the RET, a decrease of 25.9% (138.6 GWh) in energy received from imports and an increase of 101.7% (213.1 GWh) in energy received from the RED.

In July 2023 OTC decreased compared to July 2022 by 11.7% as a result of more favourable physical import/export flows on the interconnection lines on the borders with Ukraine, Hungary and Bulgaria which led to a reduction of remote energy transmission to sources. The percentage of losses relative to energy entering the RET decreased from 2.00% in 2022 to 1.91% in 2023.

The energy entering the grid decreased by 7.78% in July 2023 (297.3 GWh) compared to the same period in 2022, as a result of a 25.4% (175.4 GWh) decrease in energy received from imports and a 7.4% (219.2 GWh) decrease in energy received from generators connected to the RET, while energy received from the RED increased by 60.8% (97.3 GWh).

The weather conditions were unfavourable, characterised by higher rainfall, which increased corona losses.

In August 2023 OTC decreased slightly compared to August 2022 by 0.4%, as a result of more favourable physical import/export flows on the interconnection lines on the borders with Ukraine, Hungary and Bulgaria which led to a reduction of remote energy transmission to sources, and more favourable weather conditions with lower rainfall leading to lower corona losses.

The percentage of losses relative to energy entering the RET decreased from 2.16% in 2022 to 2.15% in 2023. Energy entering the grid decreased by 0.1% (2.4 GWh) in August 2023 compared to the same period in 2022, due to a 22.7% (170.8 GWh) decrease in energy received from imports, amid a 4.5% (122.4 GWh) increase in energy received from generators connected to the RET and a 35.5% (45.9 GWh) increase in energy received from the RED.

In September 2023 OTC increased compared to September 2022 by 1.5%, mainly as a result of increased energy entering the RET contour and more unfavourable physical import/export flows on the interconnection lines on the borders with Serbia and Ukraine leading to increased transmission away from sources.

The percentage of losses relative to energy entering the RET increased from 2.28% in 2022 to 2.31% in 2023. Energy entering the meter increased by 0.2% (6.5 GWh) in September 2023 compared to the same

period in 2022, due to an increase in energy received from imports by 15.7% (70.3 GWh), as energy received from generators directly connected to the RET decreased by 1.5% (40.1 GWh) and energy received from the RED by 11.2% (23.7 GWh).

Weather conditions were favourable, with lower rainfall, which reduced corona losses.

In October 2023 OTC increased compared to October 2022 by 18.1%, mainly as a result of unfavourable physical import/export flows on interconnection lines on the borders with Ukraine, Moldova and Serbia leading to increased transmission of energy away from sources, but also as a result of increased energy entering the RET contour.

The percentage of losses relative to energy entering the RET increased from 1.76% in 2022 to 2.03% in 2023. Energy entering the meter increased by 2% in October 2023 (70.7GWh) compared to the same period in 2022, due to an increase of 6.6% (35.33GWh) in energy received from imports, 1.2% (33.64GWh) in energy received from generators connected to the RET and 1% (1.74GWh) in energy received from the RED. Weather conditions were slightly unfavourable, characterised by higher rainfall, which increased corona losses.

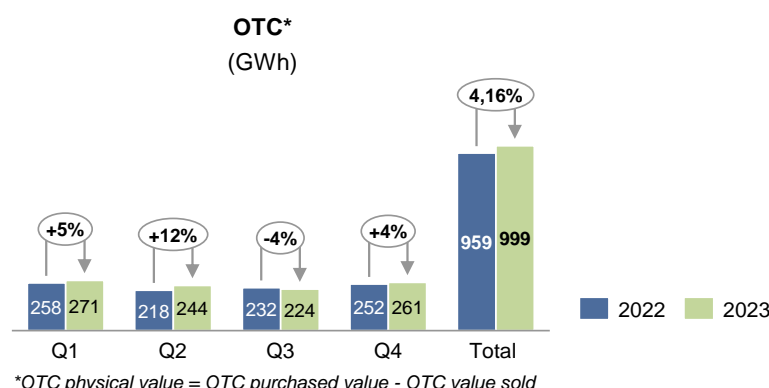
In November 2023 OTC increased compared to November 2022 by 6.7% as a result of unfavourable physical import/export flows on the interconnection lines on the borders with Ukraine, Hungary, Serbia and Moldova which led to an increase in the transmission of energy away from sources. The percentage of losses relative to energy entering the RET increased from 2.27% in 2022 to 2.50% in 2023. Energy entering the grid decreased by 3.3% (130.44GWh) in November 2023 compared to the same period in 2022, due to a 10.79% (74.08GWh) decrease in energy received from imports and a 2.9% (89.92GWh) decrease in energy received from generators connected to the RET, as energy received from the RED increased by 16.5% (33.56GWh). Weather conditions were much more unfavourable, characterised by higher rainfall across the country, leading to increased corona losses.

In December 2023 OTC decreased compared to December 2022 by 8.0%, mainly as a result of much more favourable physical import/export flows on the interconnection lines on the borders with Bulgaria and Ukraine which led to a reduction of remote energy transmission to sources, but also as a result of slightly more favourable weather conditions characterised by lower rainfall which led to a reduction in corona losses.

The percentage of losses relative to energy entering the RET decreased from 2.60% in 2022 to 2.32% in 2023. Energy entering the meter increased by 2.89%

(111.41GWh) in December 2023 compared to the same period in 2022, due to an increase of 8.6% (255.34GWh) in the energy received from generators

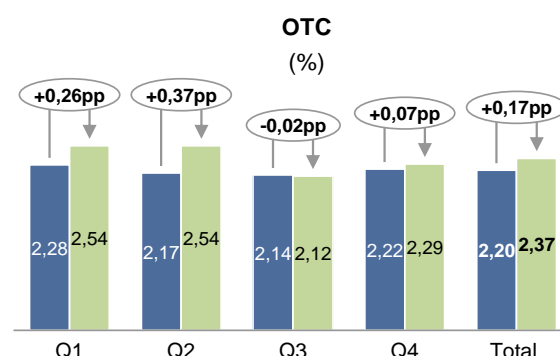
directly connected to the RET and 6.5% (14.71GWh) in the energy received from the RED, as energy received from imports decreased by 24.6% (158.64GWh).



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

In summary, for the whole first quarter of 2023, the OTC in the RET increased by 5.1% compared to the same period in 2022, mainly due to unfavourable physical flows on the interconnection lines on the borders with Ukraine, Hungary and Serbia but also due to more unfavourable weather conditions with higher rainfall, which led to increased corona losses. Relative to energy entering the contour, losses increased from 2.28% to 2.54%.

Over the whole of second quarter of 2023, OTC in RET increased by 11.8% compared to the same period in 2022, mainly due to unfavourable physical flows on interconnection lines and more unfavourable weather conditions characterised by higher rainfall amounts, which increased corona losses. Relative to the energy entering the contour the losses increased from 2.17% to 2.54%.



For the whole third quarter of 2023, OTC in the RET decreased by 3.5% compared to the same period in 2022, mainly as a result of more favourable physical flows on the interconnection lines on the borders with Ukraine, Hungary and Bulgaria and more favourable weather conditions with less rainfall, which led to lower corona losses. Relative to the energy entering the contour losses decreased from 2.14% to 2.12%.

For the whole fourth quarter of 2023, OTC in RET increased by 3.7% compared to the same period in 2022, mainly due to unfavourable physical flows on interconnection lines in October and November but also to much worse weather conditions in November, characterised by higher rainfall amounts, which increased corona losses. Relative to energy entering the contour losses increased from 2.22% to 2.29%, while energy entering the RET contour was very close to the 2022 value.



RET Development

NON-CURRENT ASSETS RECORDED IN THE ACCOUNTS

The value of non-current assets recorded in the accounts in 2023 is 558.4 million lei (289.4 million lei in the same period of 2022), an increase of 269 million lei. The largest transfers from tangible assets in progress to tangible assets are mainly represented by the commissioning of investment objectives, the most significant of which are listed below:

- 400 kV d.c. Cernavodă-Stâlpul OHL and connection in Gura Ialomiței Station – 353.7 mil lei;
- Upgrade of the 400/220/110/20 kV Munteni Station – 47.5 mil lei;
- Upgrade of the 220/110/20 kV Arefu Station – 39.7 million lei;
- Refurbishment of the 220/110/20 kV Ungheni Station – 31.8 million lei;
- Upgrade of the 220/110 kV Dumbrava Station – 20.9 million lei;
- Extension of the 400 kV Cernavodă Station - Phase I+II, Replacement of 2 compensation coils, Connection of new lines – 12.5 mil lei;
- Relocation of the 220 kV networks for Bucharest Ring Road km 0+000 - km 100+900 - 10 mil lei;
- Extension of 400 kV Gura Ialomiței Station with two cells: 400 kV Cernavodă 2 and 3 OHL – 6.8 mil lei;
- 220 kV double circuit Ostrovu Mare OHL - RET (H.CA no. 17/2007) – 4.2 million lei.

TANGIBLE AND INTANGIBLE ASSETS

Purchases of tangible and intangible assets in 2023 amount to 438.9 million lei, down compared to the same period in 2022 when purchases amounted to 461.9 million lei.

At the same time, the balance of tangible assets in progress according to the financial position as at 31 December 2023, in the amount of 993 million lei, is represented by projects in progress, the most significant being listed below:

- 400 kV d.c. Gutinaș - Smârdan OHL – 216.7 mil lei;
- Switching to 400 kV voltage of the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad - Phase I - 400 kV s.c. Porțile de Fier - (Anina) - Reșița OHL – 153.7 mil lei;
- Switching to 400 kV voltage of the Porțile de Fier - Resita - Timisoara - Săcălaz - Arad axis - Phase I - 400/220/110 kV Resita Station - 76.5 million lei;
- 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 at South Medgidia Station – 63.8 mil lei;
- Upgrade of the 220/110/20kV Baru Mare Station - 60 million lei;
- Connection to the RET of CEE 300 MW Ivești, CEE 88 MW Fălcu 1 and CEE 18 MW Fălcu 2 through the new (400)/220/110 kV Banca Station – 46.9 mil lei;
- Refurbishment of 220/110 kV Filești Station -43.6 mil lei;
- Increasing the transmission capacity of the 220kV Ștejaru - Gheorgheni - Fântânele OHL - 32.6 million lei;
- Refurbishment of 400/110/20 kV Smârdan Station - 32.1 mil lei;
- Upgrade of the 220/110/20 kV Arefu Station - 31 million lei;
- Refurbishment of the 400/110 kV Pelicanu Transformer Station – 24.7 million lei;
- Electricity metering and data management system for electricity metering on the wholesale market – 15.3 million lei;
- Refurbishment of 110 kV Medgidia South Station – 13.8 million lei;
- Extension of 400 kV Gura Ialomiței Station with two cells: 400 kV Cernavodă 2 and 3 OHL – 12.5 mil lei;

As at 31 December 2023, the Company has recorded in its accounting records the result of the revaluation report carried out by the company Appraisal&Valuation, the valuation and consulting division of NAI Romania, an independent appraiser authorized by the National Union of Authorized Appraisers of Romania (ANEVAR). The assets subject to valuation were:

- land and tangible assets classified in Group 1 - *Buildings* and Group 2 - *Technical installations, means of transport* registered in the Company's private assets;
- - assets belonging to the public domain of the State and concessioned to the Company under Concession Contract No 1/2004.

INVESTMENT ACTIVITY AT 31.12.2023

The breakdown of capital expenditure as at 31 December 2023 by the main chapters of the annual investment programme correlated with the main chapters of the Company's Development Plan is as follows:

The degree of realisation of the investment programme at 31 December 2023 is 92.5%.

Crt. no.	Categories of expenditure	IPA 2023 Programme*	Achievements (thousand lei)	
		(thousand lei)	12M 2023	12M 2022
	Grand total (A+B)	510,486	471,946	460,951
A	Company's own expenses	456,325	427,233	439,885
B	Investments financed from the feed-in tariff	54,161	44,713	21,066

*PAI 2023 revision A13

The Company's investment plan for the next 10 years includes a comprehensive investment programme aimed at strengthening energy security, digitalisation and the implementation of the SMART GRID concept, which will increase the capacity to integrate renewable energy into the system on the one hand and increase interconnection capacity on the other.

EUROPEAN FUNDS

Collaboration between Transelectrica and Politehnica University of Bucharest

Investing in the training of young people is a core objective for the Company.

Although the collaboration between the company and the Politehnica University of Bucharest dates back a long time, on **21 March 2023**, a **Framework Agreement - "Collaboration Agreement"** was officially signed between the two entities with an exponential role in the national electro-energy field.

It is prefigured as a general legal basis setting out essential aspects/conditions for possible future arrangements and is based on the mutual interest of the two contracting parties to deepen their cooperation in the field of training and further training of young engineers in line with the requirements of today's energy market, thus contributing in the long term to the development of human resources within the company. The main lines of collaboration between NPG CO. Transelectrica S.A. and PUB are:

As regards RET's capacity to integrate new renewable generation units, the wind and solar potential of the Dobrogea (south-east of the country) and Banat (south-west of the country) regions should be mentioned.

These already congested regions no longer allow for new capacity additions, but taking into account investments currently underway as well as those planned for these two regions alone, by 2027, there will be around 5,000 additional MW available.

CONTRACTUAL ISSUES

The most important investment contracts signed in 2023 are:

- Installation of two modern means of reactive power compensation in 400/220/110/20 kV Sibiu South and 400/220/110/20 kV Bradu stations - 260.2 million lei
- Upgrade to 400 kV of the 220 kV Brazi Vest - Teleajen - Stâlpu OHL - LOT 1 and extension of the 400/220 kV Brazi Vest station - LOT 2 - 161,5 mil lei
- Increasing the operational reliability of the Arges-Vâlcea network area, building the 400 kV Arefu station and installing a 400 MVA, 400/220 kV HV - 71.9 million lei;

- **Train future energy professionals** by developing programmes and disciplines tailored to the needs of NES / RET, organising training and skills development courses and identifying young talent;
- **Research and innovation** in PUB doctoral schools, fairs, conferences, workshops, TEL- PUB exchanges of experience as well as advanced research in the field of electrical network and complex studies and tests in PUB laboratories;
- **Support student performance** by:
 - continuation of the Transelectrica Scholarship Project, a programme aimed at students in their third and fourth years;
 - Organizing internships in Transelectrica for PUB graduates: the company supports the training of future energy engineers, offering year after year the opportunity to students from the relevant faculties to intern in the Company;
- **Investing in digitalisation.** The start of digitalization was given by the conclusion of a Collaboration Protocol no. C994/20.12.2019

between Transelectrica and PUB, which aims to set up and equip a SCADA TEL laboratory in the Faculty of Energetics for testing and validating digital technologies associated with energy systems.



At the same time, Transelectrica participated in the selection process initiated by the Politehnica University of Bucharest for the establishment and operationalization of a Consortium for the creation of a complete professional route for technical education, where, together with PUB, a funding application was submitted for the implementation of the **"Campus Dual Politehnica București"** project.

After the submission in March 2023 of the funding application for the project "Campus Dual POLITEHNICA București", within the framework of the Call PNRR/2022/ C15 / MEDU /I6/Pilot programme for the development of regional consortia for dual education, on 11.05.2023 following the eligibility assessment, the project was declared admitted.

On 21.06.2023 the initial list with the results of the qualitative evaluation of the submitted projects was published, the project "Campus Dual Politehnica București" being evaluated with 91.20 points and ranking first.

On 07.07.2023 the final list of the results of the qualitative evaluation was published and the project remained in first position. We mention that in early October the grant contract was signed and therefore the implementation of the project started.

The project runs for 3 years (maximum implementation deadline: 30 June 2026).

Starting from November 2023, Transelectrica is organizing internships for 5 students enrolled in dual education at the "Gheorghe Airinei" Technical High-School of Post and Telecommunications.

Modernisation Fund

At the end of 2022, the process of contracting the non-reimbursable financing from the Modernisation Fund in the amount of 424,404,843 euros was completed with the signing of the financing contracts with the Ministry of Energy on 10.10.2022.

The funding of EUR 424 million represents 30% of the total funding obtained by Romania through the Modernisation Fund and 14% of the total funding obtained by the 8 Central and Eastern European Member States (Romania, Czech Republic, Slovakia, Croatia, Lithuania, Hungary, Poland, Estonia) with approved projects.

In the third quarter of 2023, applications for reimbursement were submitted with a total reimbursed amount of 13,832,226 lei according to the submission schedules for the following projects:

- *Phase II "Banat Axis", Construction of a new 400 kV Reșita - Timișoara/Săcălaz overhead power line, Refurbishment of the 110 /220 kV Timișoara station and switch to 400 kV - total amount reimbursed - 7.042.511 lei;*
- *Pilot project - Refurbishment of the 220/110/20 kV Alba Iulia Station in the concept of a digital station - total amount reimbursed - 2.605.443 lei;*
- *Installation of two modern means of reactive power compensation in 400/220/110/20 kV Sibiu Sud and 400/220/110/20 kV Bradu stations - total amount reimbursed - 769.574 lei;*
- *Digitalization of RET by installing 2 online systems for metering and management of electricity metering data on the wholesale market, and for monitoring of electricity quality - total amount reimbursed - 3.414.698 lei.*

Project "400 kV d.c. Gutinaș Smârdan OHL"

Concerning the project "400 kV d.c. Gutinaș Smârdan OHL", financed by the Operational Programme

Large Scale Infrastructure 2014-2020, Priority Axis 8 - Intelligent and sustainable electricity and gas transmission systems, Specific objective 8.1 - Increasing the capacity of the National Energy System to take up energy from renewable resources, **5 (five) reimbursement requests were submitted, with a total reimbursed amount of 75.669.726 lei by the Managing Authority - POIM.**

REPowerEU Plan

Regarding the **Re PowerEU Plan**, Investment I6 - digitalization, efficiency and upgrade of the the national

electricity transmission network (allocation 56,237,200 euros) was approved, as follows:

- *Investment 6.a - Installation of photovoltaic power plants (PPS) and electricity storage facilities to supply internal services installed in NPG CO. Transelectrica S.A. stations (allocation 29.557.000 euro);*
- *Investment 6.b - Upgrading of SMART SA - NPG CO. Transelectrica S.A. subsidiary (allocation 18.240.000 euro);*
- *Investment 6.c - Optimisation of the communication network and creation of a data centre -Teletrans SA, subsidiary of NPG CO. Transelectrica S.A. (allocation 8.440.200 euro).*

At the same time, in December 2023, the European Commission positively assessed the proposal to amend the National Recovery and Resilience Plan (NRRP), including the REPowerEU chapter through the Council Implementing Decision amending the Implementing Decision of 29 October 2021 approving the assessment of Romania's Recovery and Resilience Plan No 15833/23.

The REPowerEU plan sets out a series of measures aimed at rapidly reducing Russia's dependence on fossil fuels and accelerating the green transition, while increasing the resilience of the EU's energy system.

The objective of the REPowerEU-funded investment is to increase flexibility and address bottlenecks in the electricity grid in order to accelerate the integration of additional renewable energy capacity and increase the resilience of the grid, while strengthening cyber security through better responsiveness to cyber attacks.

In this context, in the first quarter of 2024, a grant agreement is to be signed with the General Secretariat of the Government.



TwinEU and SmartTwin

In March 2023, through participation in the ***consortia formed to develop the TwinEU and SmartTwin projects, applications for funding through the European Research Programme - Horizon Europe*** were submitted.

The consortium formed for the development of the TwinEU project - brings together over 70 partners from different locations in Europe, including transport and system operators, technology companies, universities and research institutes, European associations, solution developers, while the consortium formed for the development of the SmartTwin project - brings together over 40 partners from different locations in Europe, including transport and system operators, technology companies, universities and research institutes, European associations, solution developers.

SmartTwin aims to develop a smart energy infrastructure using Digital Twin technology, to achieve improved integration of renewables and active consumer participation in the energy transition. This is fully in line with the directions introduced by the European Commission in the "EU Action Plan on the Digitalisation of the Energy System" to increase efficiency and grid intelligence.

Applications for funding were submitted under the call HORIZON-CL5-2023-D3-01-10 "Supporting the development of a digital twin to improve management, operations, and resilience of the EU Electricity System in support to REPowerEU".

The expected benefits for the Company in terms of participation in the above-mentioned Consortia consist in training and familiarizing personnel with the technical solutions for developing the transmission network using smart technologies and the benefits they can bring to the system, given the need to find solutions for integrating energy from renewable sources at the rates set in the National Integrated Energy and Climate Change Plan (PNIESC) for 2030 and to meet the obligations imposed by ANRE.

European Sustainable Energy Week (EUSEW)

On 19-23 June, the European Sustainable Energy Week (EUSEW) took place in Brussels, Belgium, where a delegation of the Company participated.

This year's EUSEW week was entitled "*Accelerating the transition to clean energy - towards lower bills and more advanced skills*", where Transelectrica applied to participate in the event with a booth and was subsequently accepted.

The Company's participation in the event aimed, from the point of view of the Company's image, to increase

its visibility and notoriety at the level of European bodies.

The **"INNOVATIONS LEAD THE POWER"** stand held by the Company at the Energy Fair consisted in the presentation of the pilot project *"Refurbishment of the 220/110/20kV Alba Iulia Station into a digital station concept"*, including the **DigiTEL digital laboratory**.

Members of the delegation also participated in thematic conferences of interest to the Company organised during the event and interacted with other participants at the Energy Fair.

Project sheets for funding from the Modernisation Fund

In September, three project files were submitted to the Ministry of Energy for funding from the Modernisation Fund with a total value of 140,216,858 euros, namely:

- *DigiTEL Green pilot project - Refurbishment of the 220/110/20 kV Mostistea station in the concept of a digital station with reduced environmental impact (allocation 48.340.733,89 euro);*
- *DigiTEL Power Lines of the Future Pilot Project - Optimisation of OHLs by installing innovative poles with low environmental impact (allocation 17.159.583,75 euro);*
- *Construction of the Romanian section of the 400 kV Suceava (RO) - Balti (MD) OHL, including its interconnection to the NES (allocation 74.716.540 euro).*

On 14.12.2023 the decision approving the non-reimbursable financing from the Modernisation Fund - C(2023) 9054 - for the "DigiTEL Green Pilot Project - Refurbishment of the 220/110/20 kV Mostistea station in the concept of a digital station with reduced environmental impact" was published (allocation 48.340.733,89 euro), and the financing contract with the Ministry of Energy will be signed in the first quarter of 2024.

Also, in the first quarter of 2024, project sheets are to be submitted to the Ministry of Energy for funding from the Modernisation Fund for the projects:

- *DigiTEL Power Lines of the Future Pilot Project - Optimising OHLs by installing innovative, low environmental impact poles;*

THE COMPANY'S FINANCIAL INVESTMENTS

At European level, the energy sector is undergoing a transformation process, with a focus 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 European

- *Construction of the Romanian section of the 400 kV Suceava (RO) - Balti (MD) OHL, including its interconnection to the SEN.*

Cernavodă-Stâlp internal line

As regards the project "Internal line between Cernavodă-Stâlp", financed from European funds under the Connecting Europe Facility (CEF) mechanism, amounting to 54.170.000 euro, of which the European funding is 27.085.000 euro, on 13.07.2023 the final request for reimbursement in the amount of 6.055.497 lei was received.

Events

With regard to the **elements, events or uncertainty factors that influenced the activity during 2023**, the following can be mentioned:

- Volatility in the construction and energy materials markets, as well as the current geopolitical context, have led to a dramatic increase in prices,
- Long delays in the approval by the competent institutions of the draft normative acts regulating the transfer of the right of administration, on behalf of the Romanian State, of certain land located in the corridor of the overhead power lines that Transelectrica is building.

Outlook 2024

As **perspectives for the next period of 2024** are considered as initiatives:

- The approach to grant funding opportunities is twofold
 - *the monitoring process of grant funding opportunities launched by funding authorities at national and European level, which is ongoing,*
 - *identification of funding opportunities that are linked to the company's development priorities and the identified needs to support their implementation.*
- Develop collaborative partnerships with EU TSOs by initiating innovative transnational projects in the company's areas of activity, aimed at strengthening human resources through the exchange of experience and best practices.

level, ensuring a unified development at continental level but also allowing for adaptation to national specifications while pursuing the legitimate interests of European states. 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 (TSOs) 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.

JAO (Joint Allocation Office)

Starting from 2019, the auctions for the allocation of long-term capacities are coordinated by the JAO, which was designated as the Operator of the Single Allocation Platform (SAP).

Transelectrica was invited by JAO to become part of its shareholding.

By Decision No. 10 of the AGEA dated August 20, 2018, the Company's affiliation with the Joint Allocation Office (JAO) was approved with a cash subscription in the amount of 259,325 euros, being allocated 50 shares.

THE QUALITY OF TRANSMISSION AND SYSTEM SERVICES PROVIDED

According to the Performance Standard for Electricity Transmission and System Services - approved by ANRE Order 12/2016, the representative performance indicators for the management and operation of RET and for the continuity of transmission service are:

- the electricity transmitted (GWh) and the percentage coefficient of energy losses in the

electricity transmission network - values presented in the corresponding section OTC (Operational Data);

- the time-averaged unavailability of installations due to scheduled or unscheduled (accidental) events, reported per km for lines (INDLIN), or MVA for transformers and autotransformers (INDTRA);

Indicators for RET management/operational activity

Indicator	2023	2022	2021
INDLIN (hours/year)			
Total	243.11	206.95	205.60
- Unscheduled (accidental)	12.58	4.91	6.04
- Scheduled	230.53	202.04	199.56
INDTRA (hours/year)			
Total	75.17	226.32	179.21
- Unscheduled (accidental)	1.48	7.10	4.99
- Scheduled	73.69	219.22	174.22

In the period January-December 2023, there was a total time-averaged unavailability of the OHL - INDLIN of 243.11 hours/interval, 17% higher than that recorded in the same period in 2022 (206.95 hours/interval).

The evolution by category of the average unavailability over time of installations in 2023 compared to 2022 is:

- ✓ ▲ **156%** - unscheduled
- ✓ ▲ **14%** - scheduled

It is found that during 2023, scheduled downtime has slightly increased, while unscheduled downtime has a significant increase. The increase in unscheduled unavailability is caused by an increase in the number of OHL incidents in Q4 2023 on the one hand and an increase in unavailability durations on the other hand. The slight increase in scheduled unavailability in 2023 compared to 2022 can be attributed to works executed on transmission lines both as a result of the implementation of investment programmes and the

implementation of preventive maintenance programmes.

In 2023 there was a total time-averaged unavailability of the INDTRA transformers of 75.17 hours/interval, 67% lower than in the same period last year (226.32 hours/interval).

The evolution by category of the time-average unavailability of transformers in 2023 compared to 2022 is:

- ✓ ▼ **79%** - unscheduled
- ✓ ▼ **66%** - scheduled.

The implementation of investment programmes, both for the replacement of certain transformer units and for the refurbishment of stations, together with the application of the minor maintenance programme, has led to a decrease in the scheduled and unscheduled unavailability of the transformers of the RET.

- Energy Not Supplied (ENS) due to interruptions and Average Interruption Time (AIT) which is the

equivalent average time in minutes that the electricity supply was interrupted.

Indicators of continuity of transmission service

Indicator	2023	2022	2021
ENS following incidents in RET [MWh]	37.13	54.05	109.76
ENC from incidents in RET [MWh]	10,154.90	1,160.36	90.50
AIT-ENS (min/year)	0.34	0.52	1.01
AIT-ENC (min/year)	93.30	11.15	0.84

Continuity of operation is one of the parameters of transmission and system service quality. The assessment of the level of reliability of the service provided at a given point of the RET, under normal operating conditions, is an important prerequisite for the provision of an efficient transmission service by the Company and for the proper functioning of the electricity market.

In 2023 the total TMI (AIT-ENS) value was 0.34 min, lower than the AIT-ENS value recorded in the same period of 2022 which was 0.52 min. The reduction in the amount of undelivered energy to consumers during this period contributed to the lower value of this indicator.

In January-December 2023, there was 37.13 MWh of energy not delivered to consumers (ENS), 31% less than the amount of energy not delivered to consumers recorded in the same period of 2022 (54.05MWh).

In the year 2023 AIT-ENC, the time-equivalent average period during which power was blocked in generating plants, reached 93.30 min and increased significantly from 11.15 min/year in 2022.

The worsening of this indicator was due to incidents recorded on the Company's power lines and stations providing a direct connection between the TSO stations and the Cernavoda Nuclear Power Plant (e.g. 400 kV U1 - Cernavoda connection), incidents recorded on the Company's power lines operating provisionally with power evacuation lines from the power generators stations (e.g. LEA 400 kV Cernavodă - Gura Ialomiței with Făcăeni branch), as well as incidents recorded in the Company's stations at voltages lower than the voltages considered for the RET, but which led to the blocking of significant amounts of electricity in the

generators' power plants, all of which are reported to be higher in 2023 than in 2022.

The measures envisaged by the Company to improve the ENS and AIT indicators, according to the RET Development Plan 2022-2031, are:

- ✓ Review of the technical conditions for the design and sizing of installations in the light of weather and climate changes.
 - normative revisions,
 - analysis of the structural capacity of overhead power lines in the RET using modern computer programs in order to improve the ability of the NES to operate safely and stably.

The checks consist of analysis with computer programs, aligned with the most modern design concepts. Thus, the calculation software allows a 3-D modelling of the whole overhead power line structure, including elements related to the topography of the terrain, and offers the whole range of functions necessary for the verification and analysis of an overhead power line, such as:

- structural analysis of all line elements (poles, insulator chains, conductors);
- simulations of the behaviour of the overhead power line in different scenarios (extreme weather conditions, mechanical or electrical overloads, etc.);
- establishing the necessary preventive measures to increase operational safety;
- upgrading and adapting existing overhead power lines to new conditions (weather, loads);
- electric and magnetic field calculations;
- calculations of the transmission capacity of the OHL.

- ✓ Replacement of worn-out equipment with high-performance equipment under the maintenance and investment programme).

Availability of data from the Wholesale Electricity Metering System and the Power Quality Monitoring System: 100%.

Maintenance

In carrying out the annual RET maintenance programmes, priority is given to works/services that lead to an increase in the operational safety of the installations, to the completion of contracted

works/services and to those that contribute to the proper functioning of the installations. The prospect of implementing the remote control and monitoring programme for electrical installations, which requires

the rehabilitation of electrical equipment, should also be taken into account, which will lead to a reduction in personnel and operating costs in the future.

For the year 2023, maintenance expenses of 111.59 million lei (99.2% of the programmed total) have been incurred for the RET, including major maintenance, minor maintenance and other maintenance expenses.

Types of RET maintenance (mil lei)

Maintenance	Budget 2023	Achievements 2023
Minor preventive	38.34	38.25
Minor corrective (including equipment/materials)	57.51	57.12
Major preventive	16.62	16.20
Total	112.47	111.57



Other aspects

SHAREHOLDER STRUCTURE

The Company's shareholding structure as of 31.12.2023 is as follows:

Shareholder name	No. of shares	Weight in total
The Romanian State through the SGG	43,020,309	58.7%
PAVĂL Holding	4,753,567	6.5%
NN Private Managed Pension Fund	4,007,688	5.5%
Other shareholders - legal entities	16,231,423	22.1%
Other shareholders - individuals	5,290,155	7.2%
Total	73,303,142	100%

COMPOSITION OF THE DIRECTORATE

At the date of this report the composition of the Directorate is as follows:

Ștefăniță MUNTEANU	Chairman of the Directorate
Cătălin-Constantin NADOLU	Directorate Member
Bogdan TONCESCU	Directorate Member
Florin-Cristian TĂTARU	Directorate Member

RATES

In accordance with the provisions of Government Emergency Ordinance 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 amending and supplementing certain regulatory acts in the field of energy, the transmission tariff applied in 2022 from 1

April 2022 remained unchanged until 31 March 2023. Normally, on the basis of tariff rules issued by ANRE, the transmission tariff is revised annually on 1 January. By applying the provisions of GEO no. 27/2022, exceptionally in the first quarter of 2023 the transmission tariff set on 1 April 2022 was applied.

Transmission tariff (transmission service + system functional service) applied in the first quarter

Tariff	u.m	Tariff applied for 1 Jan - 31 Mar 2022	Tariff applied for 1 Apr 2022 - 31 Mar 2023	Difference (%)
1	2	3	4	5=4/3
Average tariff for electricity transmission service	lei/MWh	23.96	28.10	17.28%
Transmission Tariff - the feed-in component	lei/MWh	1.49	2.53	69.8%
Transmission Tariff - the component of electricity withdrawal from the grid	lei/MWh	22.47	25.57	13.8%

In accordance with the provisions of Article 14, paragraph (1) of GEO no. 27/2022, on 1 April 2022 ANRE included in the transmission tariff the amount of additional expenses for the purchase of electricity necessary to cover its own technological consumption in 2021 which were generated by the significant increase in prices on the wholesale electricity market and which were not initially provided for in the tariff. The application of these provisions has brought forward the time of adjustment of the costs of own technological consumption in 2021⁵ compared to the standard

timetable for the application of corrections provided for in the ANRE tariff rules, according to which annual corrections are applied with a two-year delay.

In view of the above, the above table shows the average tariff for the electricity transmission service, with its two components for the introduction of electricity into the grid (TG) and for the withdrawal of electricity from the grid (TL) approved by ANRE Order no.33/23.03.2022 and applied from 1 April 2022 to 31 March 2023.

⁵ For the year 2021, compared to the value of 288.76 lei/MWh of the average electricity price for OTC coverage taken into account ex-ante when calculating the tariff, the actual value of the average electricity price for OTC coverage recognized by ANRE was 455.28 lei/MWh.

The transmission tariff applied in quarters II and III and IV (in force at the date of this report):

ANRE Order no.28/29.03.2023 approved the average tariff for the transmission service and the components of the transmission tariff for the introduction of electricity into the grid (TG) and for the withdrawal of

electricity from the grid (TL), charged by the National Power Grid Company Transelectrica SA , applicable as of 1 April 2023:

	Tariff from 01 April 2022 (lei/MWh), according to ANRE Order no. 33/2022, of which:	Tariff from 01 April 2023 (lei/MWh), according to ANRE Order no. 28/2023, of which:			Difference (%)
		Main component (lei/MWh)	Component related to additional costs with OTC (lei/MWh)	Applicable tariff	
(1)	(2)	(3)	(4)	(5)=(3)+(4)	(6)=(5)/(2)
Average tariff for electricity transmission service	28.10	28.61	2.59	31.20	11.03%
Transmission Tariff - the feed-in component	2.53	3.35	0.69	4.04	59.68%
Transmission Tariff - the component of electricity withdrawal from the grid	25.57	25.50	1.94	27.44	7.31%

The main driver for the increase in the average electricity transmission tariff applicable from 1 April 2023 is the additional cost component of the OTC.

This component recovers part of the additional OTC costs incurred in 2022 compared to the amount foreseen in the approved tariff for that year, according to the capitalisation mechanism established in GEO 119/2022.

This mechanism ensures that the difference between the actual OTC cost and the amount included in the tariff of the OTC cost in that year is recovered through the transmission tariff in instalments over five years.

For the year 2022, this difference is 338.5 million lei. In 2023 the tariff will recover a first tranche of this difference of approx. 99 million lei.

Events occurring after the reporting period concerning the tariff for the transmission service:

1) By ANRE's Presidential Order no.109/2023, the average tariff for the transmission service, the transmission tariff components for feeding electricity into the grid (T_{Gp}) and for withdrawing electricity from the grid (T_L), the tariff for the system service and the regulated price for reactive electricity, charged by the National Power Grid Company Transelectrica S.A., valid from 01 January 2024, were approved, as shown in the table below:

Electricity transmission	u.m.	Proposed tariff from 1 January 2024	Main component - proposed from 01 January 2024	Additional cost component with OTC - proposed from 01 January 2024	Tariff in force	Main component - in force	Additional cost component with OTC - in force	Difference (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(3)/(6)
Average tariff	Lei/MWh	31.67	30.41	1.26	31.20	28.61	2.59	1.51%
TGp (main network injection subcomponent)	Lei/MWh	3.82	3.35	0.47	4.04	3.35	0.69	-5.45%
TL (network withdrawal component)	Lei/MWh	27.72	26.94	0.78	27.44	25.50	1.94	1.02%

2) By Order of the President of ANRE no.109/2023, the TGT sub-component on the OTC related to additional electricity transits from 110 kV electricity networks was approved, corresponding to the quota allocated to

producers owning power plants with an installed capacity of more than 5 MW and feeding electricity into the grid area of the concessionary distribution system operator, valid from 1 January 2024, as shown in the table below:

Economic operator	Activity ¹⁾	Tariff from 01 January 2024 (lei/MWh), of which:
National Power Transmission Company "Transelectrica" - S.A.	TGT sub-component on OTC related to additional electricity transits from 110 kV electricity networks, corresponding to the quota allocated to electricity producers owning power plants with an installed capacity of more than 5MW and introducing electricity into the grid area of the concessionary distribution operator Distribuție Energie Oltenia S.A.	2.53
	TGT sub-component concerning the OTC related to additional electricity transits from 110 kV electricity networks, corresponding to the quota allocated to electricity producers owning power plants with an installed capacity of more than 5 MW and introducing electricity into the network area of the concessionary distribution operator Retele Electrice Dobrogea S.A. (former name E - Distribuție Dobrogea S.A.)	3.95

(i) Under the applicable regulatory framework, the costs of OTC caused by additional transits of energy in the networks of the distribution system operators under concession at the voltage level of 110 kV shall be recovered by the distribution system operators under concession from the transmission system operator and from the power generators through the transmission system operator in shares established in proportion to the quantities of electricity injected into the distribution system by the transmission system operator and by the power generators owning and operating plants connected to the respective distribution systems.

The transmission and system operator pays both its own share (considered as transmission cost) and the producers' share (for which the transmission and system operator mediates the cash flow between producers and distribution system operators) to the distribution system operators. The transmission system operator recovers the amounts paid to the distribution system operators corresponding to the producers' share from producers owning plants with an installed capacity of more than 5MW connected to the respective distribution networks by applying the newly introduced sub-component of the transmission injection tariff structure, i.e. the TGT.

SUBSEQUENT EVENTS

- Contract concluded with the subsidiary OPCOM S.A.**

Taking into account the information included in the Current Report, having as subject "Contract concluded with the subsidiary OPCOM S.A.", disseminated on 21 December 2022 through capital market institutions, pursuant to Article 108 of Law no. 24/2017 in conjunction with Article 2091 of Regulation no. 5/20181, the Company submitted on 4 January 2024 updated information for the year 2024 on the contract that "Transelectrica" S.A. concluded with OPCOM S.A. for the purchase of electricity to cover its own technological consumption requirements (OTC) for the year 2024, through the Centralised Electricity Purchase Mechanism (MACEE) provided for in the Annex to GEO no. 153/2022.

Details of this contact can be found on the Company's website under Investor Relations/Current Reporting.

- Transelectrica OGMS quorum meeting**

On January 29, 2024, the Company informed that the Ordinary General Meeting of Shareholders had been held by meeting the quorum required, i.e. 72.424% of the Company's share capital, to hold the meeting, during which the information on the purchase of products, services and works, commitments involving significant obligations of the Company with a value exceeding EUR 5,000,000, as well as borrowings and guarantees for loans with a value below EUR 50,000,000 was noted.

- Modernisation Fund grant contract**

In application of Directive 2003/87/EC of the European Parliament and of the Council, on 20 February 2024, the Company signed with the Ministry of Energy the tenth financing contract from the Modernisation Fund, namely for the implementation of the "DigiTEL Green Pilot Project - Refurbishment of 220/110/20kV Mostistea

Station" with a non-reimbursable value of 48 million euros.

The DigiTEL Green pilot project is an investment effort in line with European energy policies and directives, undertaken by Transelectrica to develop and modernise the energy infrastructure by adopting state-of-the-art technological solutions and equipment that contribute to reducing the environmental footprint.

Included in the RET Development Plan for the period 2022-2031, the investment in Transelectrica's project portfolio will contribute to the reduction of environmental impact and the transition to a sustainable and efficient energy infrastructure.

• **Resolution No. 1 of the Ordinary General Meeting of Shareholders of 28 February 2024**

The Ordinary General Meeting of Shareholders of the Company held on 28 February 2024 approved the appointment of the members of the Supervisory Board for a term of 4 years for:

- PĂUN Costin-Mihai,
- ATANASIU Teodor,
- VASILESCU Alexandru-Cristian,
- ZEZEANU Luminița,
- DASCĂL Cătălin-Andrei, .
- ORLANDEA Dumitru Virgil,
- RUSU Rareș Stelian,

The four-year term of office began on 1 March 2024 and ends on 29 February 2028. At the same time by OGMSD no.1/28.02.2024 approved the form of the mandate contract and the remuneration of the members of the Supervisory Board of the Company.

• **Resolution No. 2 of the Ordinary General Meeting of Shareholders of 28 February 2024**

The Ordinary General Meeting of Shareholders of the Company held on 28 February 2024 approved:

- ✓ Establishment of the Investment Programme for the financial year 2024 and estimates for the years 2025 and 2026,
- ✓ The Company's revenue and expenditure budget for 2024 and estimates for 2025 and 2026.

• **400 kV overhead power line - Porțile de Fier - (Anina) - Resita**

The construction project of the 400 kV Porțile de Fier - (Anina) - Reșița Overhead Power Line has been completed and the line will successfully pass the energization test on 29 February 2024.

The total value of the investment project is 150 million lei, the works being carried out by Electromontaj S.A. Bucharest - Romelectro S.A., with subcontractors Emfor Montaj SA, SC Electromontaj SA Sibiu and SC

Electromontaj SA Cluj, the design of the line being carried out by the Institute of Energy Studies and Design Bucharest.

The energisation of the newly built line marks the end of the execution works by testing the technical functioning of the electrical installation.

The Porțile de Fier - (Anina) - Reșița 400 kV Overhead Power Line is the most technically complex and difficult line project in Romania in the last 30 years, as its route crosses mostly mountainous, rugged and inaccessible terrain.

The technical complexity and the challenges that the project teams, both of the builders and the Company, encountered in the process of executing the works reflect the extraordinary effort of the specialists who contributed to the completion of this line.

The 400 kV Porțile de Fier - (Anina) - Resita overhead power line will be operationally commissioned upon completion of the construction of the 400 kV Resita station, which is expected in the second half of this year.

At the same time, the new 400 kV Reșița station will allow the operation of the 400 kV Reșița - Pancevo overhead interconnection power line.

The new overhead 400 kV Porțile de Fier - (Anina) - Resita overhead power line has a total length of 117 kilometres and consists of two sections: a new construction of 259 poles (Porțile de Fier - Anina section), with a length of 81.1 kilometres, and the modernisation of an existing line of 142 poles (Anina - Resita section), with a length of 36 kilometres.

• **Acceptance of mandates for SC members**

The Company informed the interested public that the members of the Supervisory Board appointed by the Resolution of the Ordinary General Meeting of Shareholders No. 1 dated 28 February 2024 have signed before the notary public the declaration of acceptance of their mandates, their appointment becoming effective as of 1 March 2024.

• **Appointment of the Chairman and Advisory Committees of the Supervisory Board**

In accordance with its statutory and legal powers, the Supervisory Board decided, at its meeting of 4 March 2024, to elect Mr Cătălin-Andrei DASCĂL as Chairman of the Supervisory Board and to appoint the members of the advisory committees of the Supervisory Board as follows:

Nomination and Remuneration Committee:

- VASILESCU Alexandru-Cristian - Chairman
- DASCĂL Cătălin-Andrei
- RUSU Rareș Stelian

- ORLANDEA Dumitru Virgil
- ZEZEANU Luminița.

Audit Committee:

- ZEZEANU Luminița- Chairman
- ATANASIU Teodor
- RUSU Rareș Stelian
- PĂUN Costin-Mihai
- VASILESCU Alexandru-Cristian.

Investment and Energy Security Committee:

- PĂUN Costin-Mihai - Chairman
- DASCĂL Cătălin Andrei
- ZEZEANU Luminița
- ATANASIU Teodor
- ORLANDEA Dumitru Virgil.

Risk Management Committee:

- ATANASIU Teodor - Chairman
- VASILESCU Alexandru-Cristian
- DASCĂL Cătălin-Andrei
- RUSU Rareș Stelian
- ORLANDEA Dumitru Virgil.



Annexes

ANNEX 1: Stand-alone statement of financial position

[mil RON]	2023	2022	Δ	Δ (%)
	1	2	3=1-2	4=1/2
ASSETS				
Non-current assets				
Tangible assets	5,416	4,002	1,414	35%
Assets of the usage rights for leased assets - buildings	14	22	(8)	(36%)
Intangible assets	282	338	(55)	(16%)
Financial assets	86	86	(0)	(0%)
Total non-current assets	5,798	4,447	1,350	30%
Current assets				
Inventories	51	42	9	21%
Trade and other receivables	2,116	3,340	(1,225)	(37%)
Cash and cash equivalents	519	315	204	65%
Income tax to be recovered	0	4	(4)	n/a
Total current assets	2,686	3,702	(1,016)	(27%)
Total assets	8,484	8,149	335	4%
Shareholders' equities and liabilities				
Shareholders' equities				
Share capital, of which	733	733	-	0%
<i>Subscribed share capital</i>	733	733	-	0%
Share premium	50	50	-	0%
Legal reserves	147	147	-	0%
Revaluation reserves	1,635	703	931	n/a
Other reserves	196	39	156	n/a
Retained earnings	2,430	2,196	234	11%
Total shareholders' equities	5,190	3,869	1,322	34%
Non-current liabilities				
Non-current deferred revenues	519	439	80	18%
Non-current borrowings	32	56	(24)	(43%)
Other borrowings and similar liabilities - Non-current building leases	6	15	(8)	(56%)
Deferred tax liabilities	285	107	178	165%
Employee benefit obligations	75	71	5	7%
Total non-current liabilities	918	687	231	34%
Current liabilities				
Trade and other liabilities	2,242	3,372	(1,130)	(34%)
Other loans and assimilated debts - Non-current building lease liabilities	9	8	0,2	2%
Other taxes and social security liabilities	19	13	6	46%
Short-term borrowings	25	92	(68)	(73%)
Provisions	65	68	(3)	(4%)
Short-term deferred revenues	16	39	(23)	(59%)
Income tax payable	0,4	-	0,4	n/a
Total current liabilities	2,376	3,593	(1,218)	(34%)
Total liabilities	3,294	4,281	(987)	(23%)
Total shareholders' equities and liabilities	8,484	8,149	335	4%

ANNEX 2: Stand-alone profit and loss account

[mil RON]									
Indicator	2023	2022	H1 2023	H2 2023	Budgeted 2023	Realised 2023 vs 2022	Realised 2023 vs 2022 (%)	Realised vs Budgeted 2023	Realised vs Budgeted 2023 (%)
0	1	2	3	4	5	6=1-2	7=1/2	8=1-5	9=1/5
Operating revenues									
Transmission revenues	1,956	1,885	959	997	1,830	71	4%	126	7%
System services revenues	391	534	193	198	400	(143)	(27%)	(9)	(2%)
Balancing market revenues	2,269	3,479	1,018	1,252	6,340	(1,210)	(35%)	(4,071)	(64%)
Other revenues	102	389	30	72	250	(287)	(74%)	(148)	(59%)
Total operating revenues	4,718	6,286	2,200	2,518	8,819	(1,568)	(25%)	(4,101)	(47%)
Operating expenses									
System operating expenses	640	902	307	333	815	(261)	(29%)	(174)	(21%)
Balancing market expenses	2,269	3,480	1,017	1,252	6,340	(1,211)	(35%)	(4,071)	(64%)
System services expenses	499	467	231	268	478	33	7%	21	4%
Depreciation and Amortisation	334	272	167	167	346	63	23%	(12)	(3%)
Personnel expenses	348	306	158	190	344	42	14%	5	1%
Repairs and maintenance expenses	115	108	44	71	120	7	6%	(5)	(4%)
Materials and consumables	8	13	4	4	11	(5)	(38%)	(3)	(27%)
Other operating expenses	270	145	95	175	253	125	86%	17	7%
Total operating expenses	4,484	5,692	2,023	2,462	8,707	(1,208)	(21%)	(4,223)	(49%)
Operating profit	234	594	177	57	112	(360)	(61%)	122	110%
Financial income	36	65	26	9	78	(29)	(45%)	(42)	(54%)
Financial expenses	36	72	24	11	79	(36)	(50%)	(44)	(55%)
Net financial result	0	(7)	2	(2)	(2)	7	104%	2	117%
Profit before income tax	234	587	179	55	110	(353)	(60%)	124	113%
Income tax	21	73	18	3	21	(52)	(72%)	0	1%
Profit for the year	214	515	162	52	90	(301)	(58%)	124	139%

ANNEX 3: Stand-alone cash flow statement

[Mil RON]	2023	2022	Δ
Cash flows from operating activities			
Profit/loss time interval	213.61	514.57	(301.0)
Income tax expense	20.69	72.81	(52.1)
Operating expenditure on depreciation and impairment of fixed assets (including additional OTC)	334.29	271.60	62.7
Revenues from the production of intangible assets (including additional OTC)	(13.74)	(338.53)	324.8
Expenses on impairment adjustments for trade receivables	31.66	2.50	29.2
Reversal of impairment adjustments for trade receivables	(38.98)	(14.80)	(24.2)
Losses on receivables and sundry debtors	54.05	0.41	53.64
Net expense/revenues on impairment adjustments of sundry debtors	8.68	9.07	(0.4)
Net expenses on inventory write-downs	(1.31)	0.27	(1.6)
Net profit/loss on sale of tangible assets	0.44	0.74	(0.3)
Net expenses on value adjustments on tangible assets	18.36	(3.16)	21.5
Net expenses/revenues on provisions for risks and charges	2.16	16.26	(14.1)
Interest expense, interest revenue and unearned revenues from exchange rate differences	0.17	5.21	(5.0)
Cash flows before changes in current capital	630.09	536.95	93.1
Changes in:			
Clients and similar accounts - energy and other activities	1,211.81	(420.99)	1,632.8
Clients - balancing	(29.96)	2.62	(32.6)
Clients - cogeneration	(12.35)	76.31	(88.7)
Inventories	(7.73)	(2.38)	(5.3)
Trade and other liabilities - electricity and other activities	(1,317.86)	502.80	(1,820.7)
Liabilities – balancing	34.28	33.16	1.1
Liabilities - cogeneration	95.54	(181.34)	276.9
Other tax and social security liabilities	5.79	(1.61)	7.4
Deferred revenues	96.09	1.95	94.1
Cash flows from operating activities	705.70	547.47	158.2
Interest paid	(3.09)	(7.41)	4.3
Income tax paid	(32.62)	(62.27)	29.6
Net cash generated from operating activities	669.99	477.79	192.2
Cash flows from investments			
Procurement of tangible and intangible assets	(438.92)	(461.86)	22.9
Exit from shareholding of SELENE CC Societe Anonyme	0.24	-	0.2
Proceeds from EC non-reimbursable financing	117.14	9.58	107.6
Earned Interest	1.77	0.00	1.8
Earned Dividends	6.05	2.66	3.4
Procurement of tangible and intangible assets	1.99	1.53	0.5
Net cash used in investments	(311.73)	(448.07)	136.3
Cash flows used in financing			
Repayments of non-current borrowings	(23.85)	(23.75)	(0.10)
Usage of working capital credit line	-	67.62	(67.6)
Short-term loan repayments	(10.58)	(10.58)	(0.0)
Building leasing payments	(67.62)	-	(67.6)
Dividends paid	(52.00)	(0.09)	(51.9)
Net cash used in financing	(154.05)	33.20	(187.3)
Net growth(decrease) of cash and cash equivalents	204.21	62.92	141.3
Cash and cash equivalents on 1 January	315.15	252.23	62.9
Cash and cash equivalents at the end of the period	519.36	315.15	204.2

ANNEX 4: Economic and financial indicators for the reporting period

Indicators	Calculation formula	2023	2022
Current liquidity ratio (x)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.13	1.03
Indebtness indicators (x):			
(1) Indebtness degree indicator	$\frac{\text{Debt capital}}{\text{Shareholder's equity}} \times 100$	1.38%	4.4%
(2) Indebtness degree indicator	$\frac{\text{Debt capital}}{\text{Committed capital}} \times 100$	1.36%	4.3%
Customer turnover speed (days)	$\frac{\text{Average customer balance}^* \times \text{no. days}}{\text{Turnover}}$	79.4	57.9
Non-current assets rotation speed (x)	$\frac{\text{Turnover}}{\text{Non-current assets}}$	0.80	1.33

* Within the leverage ratio indicators, borrowed capital includes current borrowings, non-current borrowings and other similar current and non-current borrowings/liabilities related to building leases under IFRS16.

**Customers with a contribution to turnover (energy, balancing, other customers, customers with invoices to be drawn up) have been taken into account when calculating the average balance. The values corresponding to customers: uncertain, from the market coupling mechanism, cogeneration scheme and overcompensation, have not been included in the average balance.

ANNEX 5 REPORT (according to EGMSD no. 4/29.04.2015) regarding contracts signed in 2023 for the purchase of goods, services and works, the value of which exceeds 500.000 Euro/purchase (for the purchase of goods and works) and 100.000 Euro/purchase (for services) respectively

No.	Contract Number	Object of the Contract	Duration in Months	Value		Contract Type	Legal Basis	Procurement Procedure
				Thousands Lei	Thousands Euro			
0	1	2	3	4	5	6	7	8
1	C 198/2023	Maintenance services in the field of telecommunications, information technology, process computing and cyber security at the National Power Grid Company Transelectrica SA	36	139	0.00	Services	Law 99/2016 + GD 394/2016	Negotiation without prior invitation
2	C 93/2023	Increasing the operational reliability of the Argeş-Aâlcea grid area, building the 400 kV Arefu station and installing a 400 MVA AT, 400/220 kV HV	20	72	0.00	Works	Law 99/2016 + GD 394/2016	Open tender
3	C 348/2023	OHL 220 kV double circuit Ostrovu Mare - RET - stage 1	24	41	0.00	Works	Law 99/2016 + GD 394/2016	Open tender
4	C 67/2023	Installation of an embedded fibre optic protection conductor on the 400 kV Roşiori - Mukacevo OHL (execution/design)	12	5	0.00	Works	Law 99/2016 + GD 394/2016	Open tender
5	SB 2/2023	Maintenance services of OHL crossing lanes in areas with tree vegetation (STT Sibiu)	36	2	0.00	Services	Law 99/2016 + GD 394/2016	Open tender
6	BA 1/2023	Maintenance services of OHL crossing lanes in areas with tree vegetation (STT Bacau)	36	2	0.00	Services	Law 99/2016 + GD 394/2016	Open tender
7	C 358/2023	Professional liability insurance services for members of the supervisory board and the Directorate of the National Power Grid Company Transelectrica SA (including chairmen)	12	811	0.00	Services	Law 99/2016 + GD 394/2016	Simplified procedure
8	C 161/2023	Subcontract No 2 to Framework Agreement No C 245/ 2021 'Mobile telephony and mobile Internet services'.	15	737	0.00	Services	Law 99/2016 + GD 394/2016	Reoffer
9	C 357/2023	Repair and maintenance services for the integrated security system - UNODEN premises (LOT 1)	36	624	0.00	Services	GEO 114/2011	Restricted tender
10	TM 1/2023	Refurbishment of the 110 kV Arad station and the transition to 400 kV voltage of the Porţile de Fier-Anina-Resiţa-Timişoara-Săcălaz-Arad axis. 400 kV Arad station (stage iii) (design)	12	595	0.00	Services	Law 99/2016 + GD 394/2016	Open tender
11	BC 13/2023	Specialized security, monitoring and intervention services for Bucharest STT objectives	36	16,574	0.00	Services	Law 99/2016 + GD 394/2016	Open tender
12	PT 27/5871/2023	Specialized services of guard, monitoring, intervention and intervention in special situations at Pitesti STT objectives	36	10,371	0.00	Services	Law 99/2016 + GD 394/2016	Open tender
13	C 507/2023	Upgrading to reduce the effects of galloping on the 400kV Bucharest South - Gura Ialomiţei OHL	12	2,633	0.00	Works	Law 99/2016 + GD 394/2016	Open tender

No.	Contract Number	Object of the Contract	Duration in Months	Value		Contract Type	Legal Basis	Procurement Procedure
				Thousands Lei	Thousands Euro			
0	1	2	3	4	5	6	7	8
14	C 531/2023	Technical support services associated with oracle licences	36	1,893	0.00	Services	Law 99/2016 + GD 394/2016	Open tender
15	C 584/2023	Disinfection services by dry spraying, disinsectisation and pest control at the premises and territorial transmission stations belonging to the National Power Grid Company Transelectrica SA - lot 8 - Timisoara STT	36	1,059	0.00	Services	Law 99/2016 + GD 394/2016	Open tender
16	TC 09C10/2023	Maintenance services for OHL crossing lanes passing through areas with tree vegetation (Constanta STT)	36	992	0.00	Services	Law 99/2016 + GD 394/2016	Open tender
17	C 398/2023	Services to assess the influence of electricity transmission network installations on air quality by monitoring emissions of air pollutants	36	645	0.00	Services	Law 99/2016 + GD 394/2016	Simplified procedure
18	C 587/2023	Disinfection services by dry spraying, disinsectisation and pest control at the premises and territorial transmission stations belonging to the National Power Grid Company Transelectrica SA - lot 3 - Constanta STT	36	591	0.00	Services	Law 99/2016 + GD 394/2016	Open tender
19	C 586/2023	Disinfection services by dry fogging, disinsectisation and pest control at the premises and territorial transmission stations belonging to the National Power Grid Company Transelectrica SA - lot 2 - Bacău STT	36	575	0.00	Services	Law 99/2016 + GD 394/2016	Open tender
20	C 585/2023	Disinfection services by dry spraying, disinsectisation and pest control at the premises and territorial transmission stations belonging to the National Power Grid Company Transelectrica SA - lot 7 - Sibiu STT	36	508	0.00	Services	Law 99/2016 + GD 394/2016	Open tender
21	C 698/2023	Installation of two modern means of reactive power compensation in 400/220/110/20 KV Sibiu South and 400/220/110/20 KV Bradu stations	36	260,234	0.00	Works	Law 99/2016+ GD 394/2016	Open tender
22	C 726/2023	Increasing the degree of safety in supplying consumers in the southern area of Bucharest connected to the 400/ 220/ 110/ 10 KV Bucharest South station	24	59,196	0.00	Works	Law 99/2016+ GD 394/2016	Open tender
23	C 676/2023	Optimization of the operation of the existing 400 KV power lines in the SEN, used in interconnection and for power evacuation from the Cernavoda nuclear power plant and renewable energy plants in Dobrogea, by installing on-line monitoring systems (smart grid type).	28	-	6,025	Supply	Law 99/2016+ GD 394/2016	Open tender

No.	Contract Number	Object of the Contract	Duration in Months	Value		Contract Type	Legal Basis	Procurement Procedure
				Thousands Lei	Thousands Euro			
0	1	2	3	4	5	6	7	8
24	C 673/2023	Extension of SCADA functions - implementation of new functions and software changes in the ems - SCADA information system	18	6,559	0.00	Services	Law 99/2016+ GD 394/2016	Negotiation without prior invitation to a competitive tendering procedure (NFIP)
25	C 697/2023	Increasing the transmission capacity of the 400 KV Bucuresti Sud - Pelicanu OHL (8 km)	12	6,018	0.00	Works	Law 99/2016+ GD 394/2016	Simplified procedure
26	C 645/2023	Maintenance of the power quality monitoring system	36	3,381	0.00	Services	Law 99/2016+ GD 394/2016	Open tender
27	CR 771/2023	Cleaning services at Craiova STT offices and 5 electrical stations	24	517	0.00	Services	Law 99/2016+ GD 394/2016	Simplified procedure
28	C 993/2023	Upgrade to 400 kV of the 220 kV Brazi Vest - Teleajen - Stâlpu - lot 1 and extension of the 400/220 kV Brazi Vest - lot 2 station	40	161,456	0.00	Works	Law 99/2016+ GD 394/2016	Open tender
29	BC 23/2023	Maintenance services of the OHL crossing lanes in areas with tree vegetation managed by Bucharest STT	36	2,143	0.00	Services	Law 99/2016+ GD 394/2016	Open tender
30	CJ 962/2023	Maintenance services of the corridor crossing of OHLs passing through areas with tree vegetation	36	1,760	0.00	Services	Law 99/2016+ GD 394/2016	Open tender
31	C 807/2023	Anti-malware solution and support services within the National Power Grid Company Transelectrica SA (framework agreement)	48	952	0.00	Services	Law 99/2016+ GD 394/2016	Open tender
32	C 919/2023	RCA and CASCO insurance services for vehicles owned by the National Power Grid Company Transelectrica SA (existing fleet)	12	753	0.00	Services	Law 99/2016+ GD 394/2016	Simplified procedure
33	CR 1011/2023	400/220/110 kV Urechești station refurbishment (design)	12	750	0.00	Services	Law 99/2016+ GD 394/2016	Open tender

