

NPG Co. TRANSELECTRICA S.A.
SUPERVISORY BOARD REPORT ON THE
ADMINISTRATION ACTIVITY



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Verification of stand-alone financial statements by the Supervisory Board

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

The stand-alone financial statements for 2021 were presented to the Supervisory Board for review, the Company's Directorate providing detailed information on the annual results. At the meeting for the review of the financial statements of 2021, the Audit Committee presented to the Supervisory Board its opinion concerning the review of the results for the financial year 2021 and recommended to the Supervisory Board the endorsement of the stand-alone financial statements drafted according to OMPF no. 2844/2016.

The stand-alone financial statements prepared on 31.12.2021 are audited, and the external auditor's opinion is unqualified, which means that all significant information reflected in the main items of the balance sheet is relevant, reliable, comparable and appropriate.

At the same time, the Supervisory Board's Annual Report elaborated in accordance with the requirements from the capital market legislation was reviewed by Supervisory Board members. The information presented in the annual report provides a true and fair view of the Company's results for the year 2021.

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

With highest consideration,

Marius-Vasile MORARIU	Mihaela POPESCU	Adina-Loredana DOGARU-TULICĂ	Claudiu-Constantin NĂSTASĂ	Victor-Florin DUMITRU	Adrian-Nicloae BLĂJAN	Virgil-Dumitru ORLANDEA
SB Chairman	SB Member	SB Member	SB Member	SB Member	SB Member	SB Member



Corporative Structure

SUPERVISORY BOARD

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

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

- **Marius-Vasile MORARIU – Supervisory Board Chairman**

Mr. Marius Morariu has a vast experience in the energy sector, the academic activity, accessing and managing European funds and in the professional training of adult people (LLL).

Mr. Morariu has been constantly active in the energetic field since 1984 until 2020. He began his career as Head of the energy sector. Between 1997–2009, for 12 years, he was a researcher and designer, then an occupational trainer for energetic engineers.

Mr. Marius Morariu has also been active in the university field, being an associate doctor, university lecturer at the Romanian Banking Institute - Financial Management Faculty, between 2004–2014. He held the following semestrial courses: Economicfinancial analysis of economic agents, Management of investments and Cost-benefit analysis in investment projects from structural funds.

In the field of accessing and managing European funds, he held the position of Director of European Programmes and expert within 7 European programmes that also included projects in the energy field, namely: Developing entrepreneurship abilities in the energy sector and Adapting the power sector personnel to the new technologies and working terms.

With regard to the professional training of adult people (LLL), between 2009–2020, Mr. Marius Morariu was a trainer/training manager within Formenerg SA - Subsidiary of NPG Co. Transelectrica SA. Most courses were in the field of public and sectoral procurement, holding 66 courses, from which 1,510 students throughout the country benefited.

In 2020, Mr. Marius Morariu became Director General of Formenerg SA.

In 1984, Mr. Morariu graduated from the Faculty of Electric Technique, Energy speciality, Polytechnic Institute Traian Vuia, Timisoara.

Between 1997–2000, he attended training programmes in the financialbanking field at the Romanian Banking Institute - The Chartered Institute Of Bankers - London, Great Britain. The academic portfolio also includes a long list of courses through which Mr. Morariu gained extensive management knowledge. Since 2013, he has been a Doctor of Economics (Ph.D.), Academy of Economic Studies, Bucharest.

- **Mihaela POPESCU – Supervisory Board Member**

Mrs. Mihaela Popescu has acquired wide managerial experience both in the private sector and in central public administration, in time holding various topmanagement positions. Over time, Mrs. Popescu has held several positions: personal advisor to the Minister of Justice (4 terms/4 ministers), and since 2020 Mrs. Popescu is Deputy Director of the Economic Division within the Ministry of Justice.

From 2017 to date Mrs. Popescu has been member in the Board of Administration of CASA OPSNAJ. Also in March - November 2019 Mrs. Popescu has been Member in the Supervisory Board of NPG Co. Transelectrica S.A. .

Having graduated from the Academy of Economic Studies, Bucharest - economics) and the Spiru Haret University, Bucharest - law), Mrs. Popescu completed her academic and professional expertise through a series of study programmes and post-graduate courses. Thus, she holds a Master's degree in Criminal Science and Criminalistics and is a graduate of the Postgraduate Course in Public Administration and Good Governance at Babeş-Bolyai University in Cluj-Napoca, under a partnership with Michigan State University.

Mrs. Mihaela Popescu has also followed several courses in: National Security, Good Governance and Diplomacy.

**Adina-Loredana DOGARU-TULICĂ –
Supervisory Board Member**

Mrs. Adina - Loredana Dogaru - Tulică has experience both in public administration and in the private sector, following a straightforward career path through public communication for companies, non-governmental organizations and public institutions.

Throughout her career, Mrs. Adina - Loredana Dogaru - Tulică worked in the field of public communication and public relations, holding the position of consultant - PR advisor within the Department of Public Communication, Presidential Administration. Being a PR Manager at Romexpo SA between 2015- 2020, she also gained experience in corporate and event communication.

The expertise in public communication is complemented by the activity carried out in university education, as Mrs. Dogaru - Tulică is active in the academic environment, being an associated professor at the Faculty of Journalism and Mass Communication, University of Bucharest, among the courses taught being Political Leadership , Crisis Communication or Digital Policy.

She has obtained two bachelor's degrees, in mass communication (Faculty of Journalism and Mass Communication, University of Bucharest), and in law (Faculty of Law and Public Administration, Spiru Haret University), capitalizing on legal expertise mostly in the private sector.

Mrs. Dogaru - Tulică attended a series of courses, seminars and study programs that added value to her academic and professional activity. Thus, she holds a diploma in diplomatic communication obtained from the Romanian Diplomatic Institute, the certification of teaching-specific skills and a certificate of training in European business in French.

Presently, Mrs. Dogaru - Tulică is a doctoral student at the Doctoral School in Mass Communication, Faculty of Journalism and Mass Communication, University of Bucharest. Last but not least, Mrs. Dogaru - Tulică has published various scholarly articles on topics related to public communication in internationally rated journals and has participated in several national and international conferences in the field.

**Claudiu-Constantin NĂSTASĂ –
Supervisory Board Member**

Mr. Claudiu Năstasă has worked both in the public and the private sector, with a vast managerial experience.

Between 2017-2020, he held the position of deputy executive director at Bacău Intercommunity Development Agency (ADIB). In 2020, he became vice president of the Authority for Managing State Assets (AAAS).

Also, between 2012-2016, he was vice president of Bacău County Council, and between 2016-2019 he held

the position of senior advisor to the Secretary of the Romanian Senate. From 2002 to 2011, Mr. Claudiu Năstasă worked as a diplomate engineer at S.C. Termoservice Grup S.R.L.

Mr. Claudiu Năstasă graduated from the Faculty of Engineering, University of Bacău (2002), and in 2006 he attended an operator refresher course at the Faculty of Mechanical Engineering and Mechatronics, Polytechnic University of Bucharest.

In addition to his academic and professional expertise, since 2013, Mr. Claudiu Năstasă holds an ANFP certificate for graduating the Specialised Training Programme for senior civil servants.

Victor-Florin DUMITRU – Supervisory Board Member

Mr. Victor Florin Dumitriu has extensive work experience in the economic field, both in the public and private sector. For thirty years, he has gained a well-defined experience through analysis and consultancy activities on economic, financial, management, risk analysis and investment.

Throughout his career, Mr. Victor Florin Dumitriu has carried out a significant professional activity in the governmental domain. Between 1994-1997, he held the position of State Secretary within the Ministry of Tourism. Also, between 2000-2001, Mr. Victor Florin Dumitriu held the position of State Secretary within the Department for Foreign Investments, coordinating activities to attract foreign investment, implementation of investment and development strategies in the public and private sector. During 2002-2004, he was vice-president of the Authority for State Assets Recovery (APAS/AVAB).

During 2009-2020, he developed his economic expertise, being a consultant on economic and financial issues at DA EASY WAY SRL, financial consultant at Extent International SRL Bucharest, economic adviser at a senatorial parliamentary cabinet and personal adviser to the Minister of Public Finance.

Mr. Victor Florin Dumitriu has a degree in economics, graduating from the Bucharest Academy of Economic Studies, within the Faculty of Finance and Accounting.

Adrian-Nicolae BLĂJAN – Supervisory Board member

With professional experience in the legal field both in the private and the public sector, Mr. Blăjan has gained substantial expertise in regards to the law.

Mr. Blăjan worked for 13 years in the private sector, as a legal advisor, a period during which he provided legal advice, representation before the competent institutions, as well as the elaboration of contracts.

Between 2019-2021, Mr. Blăjan worked as a lawyer of Vâlcea Bar Association, in an Individual Law Firm. Since

2021, he holds the position of personal advisor within the General Secretariat of the Government.

Mr. Adrian Nicolae Blăjan has a bachelor's degree in legal sciences, graduating from Spiru Haret University, Bucharest (2006).

In 2008, he obtained a Master's degree in Business Law, at Lucian Blaga University, Sibiu.

Virgil-Dumitru ORLANDEA – Supervisory Board Member

Mr. Virgil Dumitru ORLANDEA has been a member of the Supervisory Board of Transelectrica since October 21, 2021, with a consistent management experience.

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

Thus, between 2010 and 2012, Mr. Orlandea was a member of the Management and Supervision Board of important companies in the Romanian energy sector, such as: Electrica S.A., Electrica Serv S.A., Hidroelectrica, Transelectrica and Oil Terminal. Between

2013-2016, Mr. Orlandea worked at NPG Co. Transelectrica S.A., as director of the Support Services Division.

Subsequently, until 2021, he continued his activity within the Company from the position of coordinator of the project: Center of Excellence in Energy Sibiu, namely Center for Research and Development of Live Work Technologies and Rapid Response in the National Power System.

Mr. Virgil Dumitru ORLANDEA graduated from the National Defense University "Carol I" Bucharest, the College of Resource and Procurement Management, "Lucian Blaga" University of Sibiu, Faculty of Economics - Master in "Integration of Tourism and Services" and the Faculty of Economics - Master in "Management and marketing strategies and policies of the company", "Alexandru I. Cuza" Police Academy Bucharest - Master in "Human resources management within public order authorities".

SUPERVISORY BOARD ADVISORY COMMITTEES

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

Audit Committee

Members of this committee are Victor Florin DUMITRIU (chairman), Mihaela POPESCU, Adina-Loredana DOGARU-TULICĂ, Marius Vasile MORARIU.

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

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

The Audit Committee also receives and analyzes the external auditor's report on the essential issues following of the statutory audit, supports the Supervisory Board in monitoring the credibility and the integrity of the financial information provided by the Company, in particular by reviewing the relevance and the consistency of the accounting standards applied by it.

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

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

Compliance with the principles of corporate governance established by the Corporate Governance Code of the Bucharest Stock Exchange represents a continuous commitment assumed by the Supervisory Board.

Through the Audit committee, the Supervisory Board aims at enhancing transparency with respect to the activities of organizational entities of the Company by implementing new internal regulations for the Public internal audit and the management of significant risks within NPG Co. Transelectrica S.A. .

Nomination and Remuneration Committee

Members of this committee are Adrian Nicolae BLĂJAN (chairman), Adina-Loredana DOGARU-TULICĂ, Claudiu Constantin NĂSTASĂ, Mihaela POPESCU, Virgil Dumitru ORLANDEA.

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

The Nomination and Remuneration Committee establishes the requirements for holding a certain position in the Company's management and permanently updates the professional competencies of the Directorate members.

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

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

Energy Security Committee

Members of this committee are Marius Vasile MORARIU (chairman), Adrian Nicolae BLĂJAN, Claudiu Constantin NĂSTASĂ, Victor Florin DUMITRU, Virgil Dumitru ORLANDEA.

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

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



Activity of the Supervisory Board

SUPERVISORY BOARD ACTIVITY

During H2 2021, the members of the Supervisory Board met in 11 sessions, out of which a selection of the discussion points on the agenda was presented below.

The following topics were discussed with priority:

- the simplified stand-alone financial statements of the Company as and for the 6-month period ended June 30, 2021, together with the related Reports for the date and for the financial year ended June 30, 2021 prepared in accordance with the provisions of art. 54 and art. 55 of GEO no. 109/2011 on the corporate governance of public enterprises and the Half-Yearly Report for H1 2021 on the economic-financial activity of the Company;
- approval of the transaction with the related party Company for Maintenance Services to the Electricity Transmission Grid SMART S.A., transaction having as object "Strategic services/works in the facilities managed by NPG Co. Transelectrica S.A.", with a delivery period of 36 months;
- verification of the draft rectification of the Company's 2021 Income and Expenditure Budget;
- verification of the Company's simplified stand-alone financial statements as and for the 9-month period ended September 30, 2021, together with the Report on the Company's economic and financial activity according to the capital market requirements for January-September 2021 and the Directorate's Activity Report regarding the results for January - September 2021 according to GEO no. 109/20211 with later amendments and additions;
- the proposal for approval by NPG Co. Transelectrica S.A. Shareholders' General Assembly of PKF FINCONTA SRL as financial auditor of NPG Co. Transelectrica S.A., for a period of 3 years;
- initiation of the procurement procedure having as object "Increasing the operational safety of the Argeş-Vâlcea network area, building the 400kV Arefu substation and installing a 400MVA, 400/220kV AT";
- the stage of the procurement procedure for "Strategic services/works in the facilities managed by NPG Co. Transelectrica S.A."; information regarding the conclusion of the investment contract: "400 kV OHL Gutinaş-Smârdan";
- "2021-2024 Transelectrica PTG investment plan financing solutions";
- the deadline of December 24, 2021, for the mandates of the provisional Directorate members:

Bogdan Toncescu, Adrian Moraru, Ionuţ-Bogdan Grecia, Marius Viorel Stanciu and Cătălin Constantin Nadolu.

The **Nomination and Remuneration Committee** held 2 (two) meetings in the second semester of 2021 in which the selection procedure of the Directorate members was approved in accordance with the provisions of GEO no. 109/2011 on the corporate governance of public enterprises, as well as the selection criteria (the profile of the Directorate and the profile of the candidates for the position of Directorate members).

During the same period, the **Audit Committee** held 2 (two) meetings during which the simplified stand-alone financial statements were audited on and for the 6-month period ended June 30, 2021, as well as for the 9-month period ended September 30, 2021.

The **Energy Security Committee** held a meeting in the second half of 2021 to discuss the status of the contract for strategic maintenance services for PTG equipment; the current stage of the "Strategic Maintenance Program" amid the Maintenance Regulation within the Company and each TTU; the current stage of "Passing the WINTER PEAK program" and the stage and the way of performing the maintenance of the security corridors within TTUs, especially Bacău, Sibiu and Piteşti.

The following are detailed topics discussed at the SB meetings in the second semester:

- At the meeting of **28.07.2021**, the members of the Supervisory Board decided to change the competence of the Nomination and Remuneration Committee within the Supervisory Board, as follows:
 - Adrian Nicolae BLĂJAN – chairman
 - Adina-Loredana DOGARU-TULICĂ
 - Claudiu Constantin NĂSTASĂ
 - Mihaela POPESCU

change the composition of the Audit Committee as follows:

- Victor Florin DUMITRU – chairman
- Mihaela POPESCU
- Adina-Loredana DOGARU-TULICĂ
- Marius-Vasile MORARIU

change the composition of the Energy Security Committee as follows:

- Marius Vasile MORARIU – chairman
- Adrian Nicolae BLĂJAN
- Claudiu Constantin NĂSTASĂ
- Victor Florin DUMITRU

During the same meeting, they took note of the information regarding the stage of the procurement procedure for “Strategic services/works in the facilities managed by NPG Co. Transelectrica S.A.”, together with the information regarding the conclusion of the investment contract “400 kV OHL Gutinaș-Smârdan”.

- In the meeting of **12.08.2021**, the Supervisory Board noted:

- The company's simplified stand-alone financial statements as of the date and for the 6-month period ended 30 June 2021,
- The report for H1 2021 regarding the economic-financial activity of the Company.

At the same time, it approved the final form of the H1 2021 Supervisory Board Activity Report, prepared in accordance with the provisions of art. 55 of GEO no. 109/2011 on the corporate governance of public enterprises.

- In the meeting of **23.08.2021**, the members of the Supervisory Board approved the transaction with the related party Company for Maintenance Services to the Electricity Transmission Grid SMART S.A., transaction having as object “Strategic services/works in the facilities managed by NPG Co. Transelectrica S.A.”, with a delivery period of 36 months.

- In the meeting of **16.09.2021**, the Supervisory Board verified the draft rectification of the Company's 2021 Income and Expenditure Budget.

- At the meeting of **21.10.2021**, the Supervisory Board unanimously decided to extend by 2 months, starting with 25.10.2021 and until 24.12.2021, the mandates of provisional Directorate members for the following:

- Bogdan TONCESCU,
- Ionuț-Bogdan GRECIA,
- Adrian MORARU,
- Cătălin-Constantin NADOLU,
- Marius-Viorel STANCIU,

they elected Mr. Bogdan TONCESCU as Directorate Chairman, alternatively called Executive Director General or Chief Executive Officer - “CEO” of the Company.

At the same meeting, they appointed Mr. Virgil Dumitru ORLANDEA as a provisional Supervisory Board member for a term of office until 21.12.2021, but not later than the date of appointment of a Supervisory Board member by the Shareholders' General Assembly, approving at the same time the mandate contract form

that will be concluded with the provisional Supervisory Board member.

- At the meeting of **10.11.2021**, the Supervisory Board members took note of the simplified stand-alone financial statements of NPG Co. Transelectrica S.A. for the financial year ended 30 September 2021,
- took note of the Economic-Financial Activity Report of the Company in accordance with the requirements of the capital market for January – September 2021,
- took note of the Directorate Activity Report regarding the results for January - September 2021 according to GEO no. 109/2021 with later amendments and additions,
- took note of the Information Note on the implementation of the Investment Program (AIP 2021) - September 2021.

At the same meeting, the Supervisory Board decided to change the membership of the Supervisory Board's Nomination and Remuneration Committee, as follows:

- Adrian-Nicolae BLĂJAN – chairman
- Adina-Loredana DOGARU-TULICĂ
- Claudiu-Constantin NĂSTASĂ
- Mihaela POPESCU
- Virgil Dumitru ORLANDEA

and change the membership of the Supervisory Board's Energy Security Committee, as follows:

- Marius Vasile MORARIU – chairman
- Adrian Nicolae BLĂJAN
- Claudiu Constantin NĂSTASĂ
- Victor Florin DUMITRU
- Virgil Dumitru ORLANDEA

- In the meeting of **11.11.2021**, the Supervisory Board proposes for approval to the Shareholders' General Assembly of NPG Co. Transelectrica S.A. the appointment of PKF FINCONTA SRL as financial auditor of the Company, for a period of 3 years.

- In the meeting of **09.12.2021**, the Supervisory Board approved the procurement having as object “Increasing the operational safety of the Argeș-Vâlcea network area, building the 400kV Arefu substation and installing a 400MVA, 400/220kV AT”.

- In the meeting of **22.12.2021**, the Supervisory Board, in accordance with the provisions of Article 18 para. (4) of the Articles of Association of the Company, elected as Supervisory Board Chairman Mr. Marius Vasile MORARIU.

At the same time, in accordance with art. XX para. (4) of the Regulations of organization and functioning of the Supervisory Board, the Nomination and Remuneration Committee has been established, appointing as members:

- Adrian Nicolae BLĂJAN – chairman
- Adina-Loredana DOGARU-TULICĂ
- Claudiu Constantin NĂSTASĂ
- Mihaela POPESCU

- Virgil Dumitru ORLANDEA

the Audit Committee was established, appointing as members:

- Victor Florin DUMITRU – chairman
- Mihaela POPESCU
- Adina-Loredana DOGARU-TULICĂ
- Marius Vasile MORARIU

the Energy Security Committee was established, appointing as members:

- Marius Vasile MORARIU – chairman
- Adrian Nicolae BLĂJAN
- Claudiu Constantin NĂSTASĂ
- Virgil Dumitru ORLANDEA

During the same meeting, the Supervisory Board took note of the deadline of December 24, 2021 for the mandates of the provisional Directorate members: Bogdan Toncescu, Adrian Moraru, Ionuț-Bogdan Grecia, Marius Viorel Stanciu and Cătălin Constantin Nadolu.

The Supervisory Board, pursuant to art. 64² para. (1) of GEO 109/2021 on the corporate governance of public enterprises with later amendments and additions, appointed the following persons as provisional Directorate members for a period of 4 months starting with 25.12.2021:

- Gabriel ANDRONACHE
- Cătălin Constantin NADOLU
- Marius Viorel STANCIU
- Florin-Cristian TĂTARU
- Ștefăniță MUNTEANU

At the same time, the Supervisory Board approved the form of the mandate contracts that will be concluded with the provisional Directorate members, together with the related remuneration and elected Mr. Gabriel ANDRONACHE as Directorate Chairman, alternatively called Executive Director General or Chief Executive Officer - “CEO” of the Transelectrica.



Financial Data

The summary of financial results on 31 December 2021 is provided in the tables below. Their extended variant for the same time interval is provided in Annexes to this Report.

OPERATIONAL RESULTS

The separate statement of profit or loss at periods 31 December 2021 versus 31 December 2020 is shown in the table below:

Separate statement of profit or loss						
[RON mn]	H1 2021	H2 2021	2021	2020	Δ	Δ (%)
Charged energy volume [TWh]	28.28	28.07	56.35	53.85	3	5%
ALLOWED PROFIT ACTIVITIES						
Operating revenues	635	675	1,310	1,198	112	9%
Transmission and other revenues on the electricity market	612	640	1,252	1,035	217	21%
Functional system services	3	(2)	1	121	(120)	(99%)
Other revenues	19	38	57	42	15	35%
Operating expenses	421	630	1,051	859	193	22%
System operating expenses	202	374	576	310	267	86%
Repairs and maintenance expenses	37	61	97	98	(1)	(1%)
Personnel expenses	113	131	244	273	(29)	(10%)
Other expenses	69	64	133	178	(45)	(25%)
EBITDA	214	45	259	340	(81)	(24%)
Depreciation	130	144	274	268	7	2%
EBIT	84	(99)	(16)	72	(87)	n/a
ZERO PROFIT ACTIVITIES						
Operating revenues	787	1,658	2,445	1,169	1276	109%
Technological system services revenues	318	305	623	674	(51)	(8%)
Balancing market revenues	469	1,354	1,823	495	1328	268%
Operating expenses	748	1,672	2,419	1,061	1358	128%
Technological system services expenses	291	318	610	566	44	8%
Balancing market expenses	456	1353	1810	495	1315	266%
EBIT	39	(13)	26	108	(82)	(76%)
ALL ACTIVITIES (WITH PROFIT ALLOWED AND ZERO-PROFIT)						
Operating revenues	1,422	2,334	3,756	2,367	1388	59%
Operating expenses	1,168	2,302	3,471	1,920	1551	81%
EBITDA	253	32	285	448	(163)	(36%)
Depreciation	130	144	274	268	7	2%
EBIT	123	(113)	11	180	(169)	(94%)
Net finance result	(2)	(7)	(9)	(5)	(4)	(73%)
EBT - Profit before income tax	121	(119)	2	175	(173)	(99%)
Income tax	17	(15)	1	30	(28)	(95%)
Net profit	104	(104)	0,45	145	(145)	n/a

OPERATIONAL RESULTS

Charged volume of electricity

Between January - December 2021, the total quantity of electricity charged for services provided on the electricity market (56.35 TWh) increased by 5% compared to the same period of 2020 (the difference between the two periods being + 2.5 TWh).

Operational revenues

Total operational revenues achieved between January - December 2021 increased by 59% compared to the same period of the previous year (RON 3.756 mn in 2021 compared to RON 2.367 mn in 2020), mainly due to the increase in the amount of electricity delivered to consumers, the increase of the average transmission tariff and greater revenues achieved on the balancing market.

The **profit allowed activities** segment registered 9% revenue growth mainly determined by higher electricity quantity supplied to consumers when the ANRE-approved average transmission tariff increased, and also from implementing the new package of European regulations, especially *Directive (EU) 2019/944* and *Regulation (EU) 2019/943*, as well as *Regulation (EU) 2017/2195* and *Regulation (EU) 2017/1485*.

In July 2020 upon ANRE's initiative the proposal was to harmonise methodologies establishing tariffs of electricity transmission services and tariffs of system services (only the system functional service component), namely the *Methodology establishing tariffs of electricity transmission services* approved by Order 171/2019 of ANRE president and the *Methodology establishing tariffs of system services* approved by Order 45/2017 of ANRE president (only the system functional service component), with later amendments and additions, with the provisions of fore-mentioned European regulations.

Thus, the income from the transport tariff for the year 2021 in the amount of RON 1,152 mn increased by 7% compared to the one for the year 2020 in the amount of RON 1,080 mn, (calculated by integrating the component related to the functional system service in the transmission service - the two tariffs apply to the same amount of electricity extracted from the grid).

In January-December 2021 **revenues from the allocation of interconnection capacity** registered a decrease of 10% (+ RON 6 mn) compared to the same period last year, corresponding to the utilisation degree of available interconnection capacity by traders on the electricity market.

The evolution of revenues from the allocation of interconnection capacity is due to the increasing

interest of the participants to buy interconnection capacity, the electricity being transacted more internally. The electricity unit price has also increased across the European Union.

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

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

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

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

Beginning with November 2019 the 2nd wave was launched under the single European coupling solution for intraday markets (SIDC – Single Intraday Coupling).

The single mechanism of intraday markets coupling provides continuous matching of sale and purchase offers from market participants from a bidding zone with sale and purchase offers from within their own bidding zones and any other bidding zone with available crossborder capacity. Thus intraday explicit bids take place only on the Serbian border, while they are implicit on the Bulgarian and Hungarian frontiers (under SIDC).

The net revenues from the allocation of interconnection capacities are used in accordance with the provisions of ANRE Order 171/2019, updated, and EU Regulation 943 of 05 June 2019 regarding the internal electricity market as financing source of investments made in order to upgrade and develop interconnection capacities with neighbouring systems.

The investment programme the Company is engaged in aims to double its cross-border capacity in the next five

years, which will allow the development of coupled electricity markets Europe-wide, thus contributing to achieving the objectives of the European Union, "Internal Energy Market" and "Clean energy for all Europeans".

The launch of the Interim Coupling project took place on June 17, 2021, which represents the coupling of the day-ahead markets in the 4MMC countries with those in Poland, Austria and Germany.

The Romanian market is coupled in the intraday regime with the European markets and in the spot regime (delivery the day after the transaction is completed) with the markets in Hungary, the Czech Republic and Slovakia and, more recently, with those in Austria, Poland and Hungary.

In coupled markets, energy transactions are made without paying capacity reservation fees on lines, which facilitates trade and thanks to the coupling mechanism energy flows go from the cheapest to the most expensive markets.

Revenues from electricity transacted for OTC were mainly obtained by selling excess electricity on the Intraday Market managed by OPCOM and under BRP CIGA Energy on the Balancing Market.

At the end of November 2019 the coupled operation of intraday markets was launched Europe-wide under the XBID/SIDC project, which provided higher market liquidity and diversified products that are transacted.

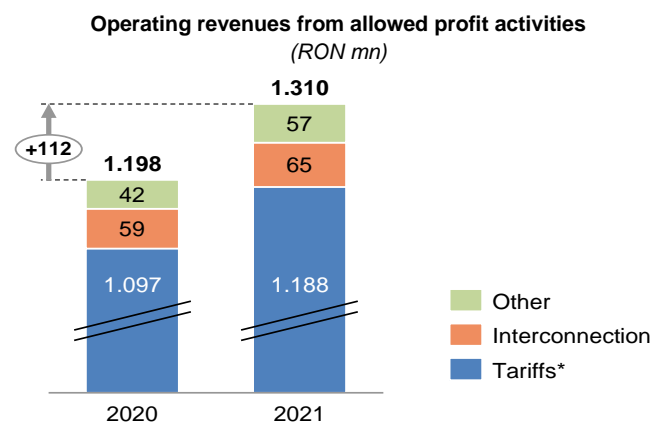
Following the new regulations on the balancing market, as well as the increase in the volume of transactions on the Intraday Market, revenues from OTC transactions were higher by RON 22,5 mn in 2021 compared to 2020 (from RON 9,3 mn in 2020 to RON 31,8 mn 2021).

In the context of the increase of prices on the entire energy market, on all time horizons, there was a doubling of revenues on the Intraday Market compared to revenues recorded in the same period last year and an increase of about 3.7 times of the balancing market revenues.

During 2021, the main factors that have had and will continue to have a significant impact on the revenues/expenses of electricity transactions to cover OTC, are the legislative changes on the electricity balancing market, applicable as of February 1, 2021 (settlement made at 15 minutes' interval, a single settlement price on the balancing market), the Covid-19 pandemic and its nation-wide management.

As far as **revenues of system functional system services and unplanned exchanges** are concerned, as of 01 January 2021 the functional system service component was included in transmission services, thus

for the time before 1 January 2021 a cumulated tariff was calculated for transmission activities, which is a virtual theoretical tariff calculated by summing up the tariffs of profit allowed activities, namely transmission and functional system services (the two tariffs were applied to the same electricity amount taken from the network).



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

Revenues from zero-profit activities registered a significant increase of 109% (+ RON 1.276 mn), from RON 1.169 mn on December 31, 2020 compared to RON 2.445 mn on December 31, 2021, mainly determined by the increase of RON 1.327,6 mn in balancing market revenues.

The higher revenues on the balancing market were owed mainly to the following issues:

- regulation
- price limits of offers on the balancing market were removed according to the Regulation for balancing market settlement and Regulation for scheduling dispatchable generating units, dispatchable consumers and dispatchable storage installations, approved by ANRE Ordinere 61/2020, published in Romania's Gazette 287/2020;
- the obligation to participate on the balancing market was removed according to the Regulation for calculation and settlement of imbalances of balancing responsible parties - single imbalance price and certain Orders of the President of the National Regulatory Authority in the Energy domain were modified, approved by ANRE Order 213/2020, published in Romania's Official Gazette 1201/2020;
- the balancing market applied the 15 minutes' settlement interval;
- the single settlement price was applied on the balancing market from 1 February 2021 onward;
- beginning with 01 June 2021 a new set was applied of common settlement rules for international

electricity exchanges and unplanned exchanges, providing financial settlement between Transmission System Operators and thus removing the compensations in kind by the Settlement Centres of Brauweiler (Germany) and Laufenburg (Switzerland) determined according to ENTSO-E methodology.

➤ market operation

- the manner of contracting on the markets before the balancing one, at local and regional level;
- the development of the average price recorded on the balancing market;
- the development of hydraulicity;
- the development of electricity generation and consumption;
- the trend of the CO2 certificates' development.

The regulations applied in the national legislation in accordance with the provisions of Regulation (EU) 2019/943 of the European Parliament and Council of 5 June 2019 regarding the electricity market, namely settlement made at 15 minutes' granularity, the single settlement price on the balancing and the management of COVID-19 nation-wide have had and will have significant impact on the revenues/costs of the balancing market.

The balancing market management has a specific regulatory framework containing regularisation mechanisms which compensate the revenue excess or deficit in the expenses necessary to develop such activities. Thus according to ANRE regulations the non-null monthly balances (revenue surpluses) resulting from such activities will be compensated by ex-post tariff correction (negative correction) applied by ANRE in the tariff of years following that when such balances were registered.

During January-December 2021, **revenues from technological system services** decreased by 8% compared to January-December 2020 (RON 623 mn on December 31, 2021 compared to RON 674 mn on December 31, 2020), determined by diminished ANRE-approved tariff for such services when electricity quantities delivered to consumers grew 5%.

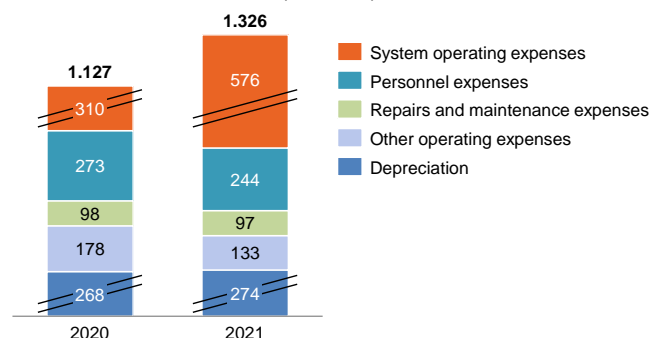
The regulatory framework specific for technological system services includes regularisation mechanisms providing compensation of revenue excess/deficit compared to expenses necessary for such activities. Thus according to ANRE regulations the revenue surplus/deficit against costs recognised for such activities will be compensated by ex-post (negative/positive) tariff correction applied by ANRE in the tariff of years following that when such surplus/deficit was registered. The revenue surplus/deficit against costs resulting from such activities is calculated for the tariff scheduling period.

Operational expenses

Total operational expenses (amortisement included) made in January - December 2021 increased by 71% compared to the same period last year (RON 2,188 mn in 2020 compared to RON 3,745 mn in 2021).

In the **profit allowed activities** segment expenses (amortisement included) registered 18% increase (RON 1,326 mn in 2021 compared to RON 1,127 mn in 2020).

Operating expenses from allowed profit activities
(RON mn)

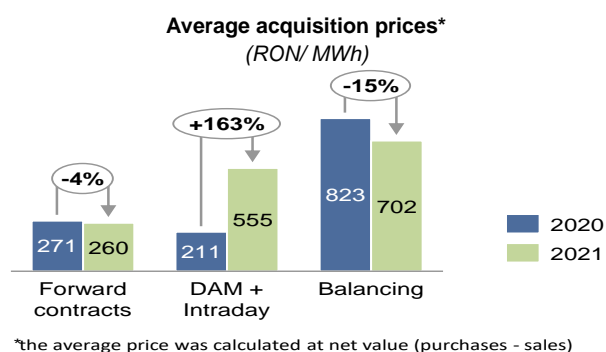


OTC: In 2021, expenses for one's own technological consumption were 110% higher (+ RON 276 mn) compared to 2020, due to the following aspects:

- due to its characteristics, the Own Technological Consumption (OTC) in the Electricity Transmission Grid (ETG) is strongly dependent on weather conditions, the structure of electricity generation and consumption nation-wide, the distribution of electricity flows in the internal transmission network and on the interconnection lines with the neighbouring power systems, its value being almost not controllable at all amid an interconnected and coupled regional energy market;
- consumption in 2021, compared to the same period last year was higher by about 151 GWh (16%) compared to the similar period of 2020, being strongly influenced by the covid-19 pandemic. Compared to 2019, the OTC is approximately 10% higher;
- the average price of energy purchased from the DAM, which in 2021 was more than 4 times higher than the similar period of 2020, significantly exceeding the values recorded in recent years;
- the unpredictability of the market is proved by the sharp and quick rise in prices, amid the increase in the price of the carbon certificate, a level of electricity generation capacity insufficient to replace generation based on fossil fuels, especially coal, in the context of market liberalisation, lack of competition from producers and competition from suppliers for the purchase of energy, in order to be able to fulfill its contracts with the many customers who have chosen the free market;

- applying the single settlement price on the balancing market starting with 01.02.2021, as well as the settlement made at 15 minutes' granularity, led to increases of the average price of the energy purchased on the Balancing Market.

For the entire analysed period, OTC costs related to the balancing market were about 160% higher (+ RON 47.6 mn) than in the similar period of the previous year, but there was also an increase in the quantity purchased on this market.



During 2021 the trend of the Day-Ahead Market was of continuous growth, registering much higher values than in 2020 (for example for Q4 the average net prices on DAM and Intraday are RON 1,111/MWh compared to RON 255/MWh in 2020).

Price on DAM for the first two months of 2022 it remained very high, the average price of energy purchased on DAM being almost four times higher in 2021 compared to 2020, significantly exceeding the values recorded in the last 7 years on this market.

The same trend is noticed in Europe, which will have significant impact on the costs registered for OTC coverage, taking into account on 17 June 2021 the day-ahead markets of the 4M MC (Czech Republic, Slovakia, Hungary and Romania) coupled with the regional market of Austria, Germany and Poland.

In this situation, the short-term centralised markets organized by the Electricity Stock Exchanges have recorded unprecedented historical prices, and for 2022 no significant price decreases are expected.

The market coupling based on NTC (net transmission capacity) is an important step towards achieving SDAC (single day-ahead market coupling).

The next step is to introduce the flow-based capacity calculation method into the Core FB MC project, which is the target model for day-ahead market engagement.

According to the latest updates, on November 19, 2021, the parties involved in the Core Flow-Based Market Coupling project reported the delay of Core FB MC due to external dependencies that delay the timely start of

the first phase of joint integration tests and to technical problems in the first weeks of testing.

The new launch date depended on further progress in test planning and compliance with external parties (e.g. SDAC).

Core project parties want to share their progress.

The first phase of Full Integration Testing (FIT) was successfully completed on January 13, 2022. FIT testing, focused on the functionality of all the systems involved and between them in the FB MC process, proved that the solution is capable of performing the FB MC process.

The next phase of Simulation Integration Testing (SIT) started on January 17, 2022, focused on testing common operational procedures to prove that the solution is able to facilitate the day-to-day operational process.

Following tests conducted in January and compliance with external parties (SDAC), the project parties are now in a position to confirm that the new release date will be April 20, 2022 (trading day for delivery on April 21, 2022).

Expenses for electricity expenses in ETG substations increased by 51% between January - December 2021 compared to 2020 (RON 24.5 mn in 2021 compared to RON 16.2 mn in 2020) due to the increase in electricity acquisition prices in 2021 in context of applicable legislative amendments starting with July 1, 2021, respectively ANRE Order no. 82/2021.

In view of executing electricity transmission activities in electric substations and safely operate the National Power System Transelectrica has to procure electricity to cover the consumption of auxiliary services in high voltage power stations managed by the Company.

Functional system services and energy exchanges: Related expenses also decreased from RON 30.5 mn in 2020 to RON 4 mn. Such expenses represent uncontracted international electricity exchanges and expenses with unplanned exchanges on the day-ahead market.

Inter TSO Compensation (ITC) expenses

Monthly payment obligations/collection rights of each transmission system operator (TSO) are established under the compensation/settlement mechanism for the effects of using the electricity transmission grid (ETG) to transit electricity in-between the TSOs of the 35 countries that adhered to this ENTSO-E mechanism.

Between January-December 2021, these expenses were 65% higher than in the same period of the

previous year, the difference resulting from regularised expense estimations.

The **zero-profit activities** segment registered 128% growth of costs (RON 2,419 mn on December 31, 2021 compared to RON 1,061 mn on December 31, 2020), mainly determined by higher balancing market expenses.

The Company procures **technological system services** from producers in order to maintain safe operation of NPS and the quality of electricity transmitted at parameters required in applicable technical norms.

Such services are contracted as follows:

- under regulatory regime according to Governmental Decisions and Decisions issued by the National Regulatory Authority in the Energy domain (ANRE);
- by means of competitive mechanisms.

Beginning with 01.02.2021 technological system services are procured by competitive regime using daily bids, in accordance with the provisions of Regulation (EU) 2019/943 of the European Parliament and Council of 5 June 2019.

In 2021 technological system services were contracted under regulatory regime only for reactive power. Transelectrica contracted reactive power from Hidroelectrica SA, according to ANRE Decision 1078/2020.

Expenses regarding technological system services in 2021 increased by 8% compared to 2020 (RON 610 mn in 2021 compared to RON 566 mn in 2020).

TSS procurement costs for 2021 were mainly determined by the following factors:

- the increase of TSS procurement prices on the competitive market in the analyzed period for the secondary reserve (RS) and the fast tertiary reserve (RTR), considering the increase of the prices registered on the electricity market in 2021;
- in 2021 the technological system services market showed high concentration for technological system services of secondary reserve (RS).

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

For January-September 2022, a high concentration of the technological system services market for technological system services of secondary reserve is foreseen and for October-December 2022 it is estimated a high concentration of the technological system services market for the upward Automatic Frequency Restoration Reserve (upward aFRR - similar

to the upward secondary reserve) and downward Automatic Frequency Restoration Reserve (downward FRR - similar to the downward Secondary Reserve).

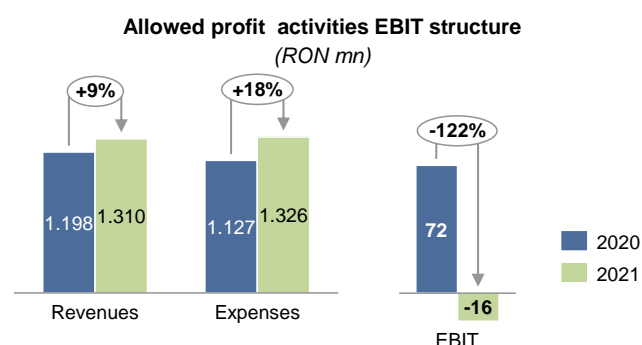
For 2022 it is estimated that the procurement of technological system services through import/export daily bids in accordance with the provisions of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019, the evolution of ANRE's regulatory framework on the electricity market, as well as the management of the spread of Covid-19 country-wide, will have a significant impact on the development of technological system services procurement costs within Transelectrica.

Expenses regarding the balancing market made in 2021, were higher by RON 1,315 mn compared to those made in 2020. Such expenses result from the notifications/achievements of participants on this market.

For the period June - December 2021, the revenues, respectively the expenses related to the intentional and unintentional exchanges of energy were recorded during 2021 for the elements of revenues with unplanned DAM exchanges, respectively expenses with unplanned DAM exchanges, these being reclassified in December 2021, due modification of the rules for settling the imbalances on the energy market, the intentional and unintentional exchanges, respectively, being integrated in the settlement mechanism related to the balancing market after September 1, 2021.

Operational result

Profit allowed activities registered negative result in 2021, decreasing by RON 87 mn compared to the one registered in the same period last year.



The current situation of wholesale electricity prices is fundamentally different from the one in 2020, strongly influenced by the COVID-19 pandemic, and from the situation in previous years.

The difference is significant and obvious Europe-wide, not only in Romania.

In this respect, the development of wholesale energy prices on the European spot market can be observed.

The situation Europe-wide has deteriorated rapidly since the beginning of the year, with energy stress being unprecedented, especially for electricity and natural gas, fuels for electricity production.

In this situation, the short-term centralised markets organized by the Electricity Exchanges registered unprecedented historical prices, and for the next period no significant price decreases are expected

EBIT generated by **zero-profit activities** registered positive RON 26 mn result, decreasing RON 82 mn against that recorded in the same interval of last year.

The zero-profit activities contains regularization mechanisms that compensate for the excess or deficit of revenue reported to the level of expenditure required to carry out those activities.

For the activity of the balancing market, according to ANRE regulations, the non-zero monthly balances (income surpluses) resulting from the development of this activity are to be compensated by ex-post tariff correction (negative correction) applied by ANRE in tariff in the years following those balances were recorded.

For the activity of technological system services, according to ANRE regulations, the surplus/deficit of income compared to the recognized costs resulting from the development of this activity is to be compensated by ex-post tariff correction (negative/positive correction) applied by ANRE in tariff in the years following in which the respective surplus / deficit was registered.

The income surplus/deficit compared to the costs resulting from carrying out this activity is calculated over the programming periods of the tariff.

Gross result (EBT)

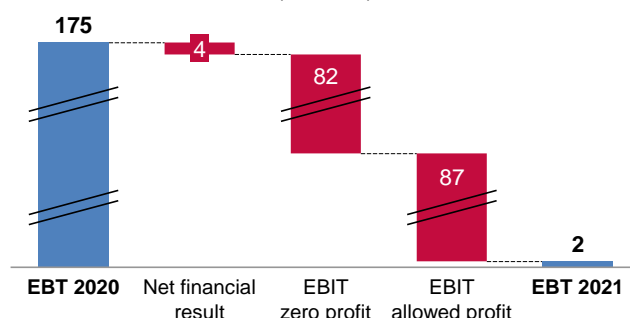
Gross result registered a decrease in the analysed period, from RON 175 mn in 2020 to RON 2 mn in 2021. The dynamics between the result registered in 2021 compared to 2020, broken down by profit constitutive components, is provided in the following graph:

FINANCIAL POSITION

The separate statement of financial position at 31 December 2021 versus 31 December 2020 is shown in the table below:

Separate statement of financial position				
[RON mn]	2021	2020	Δ	Δ (%)
Non-current assets				
Tangible assets	3,815	3,561	254	7%
Assets representing rights of use under a lease - buildings	30	38	(8)	(21%)
Intangible assets	7	7	-	2%
Financial assets	82	82	-	n/a
Total	3,933	3,687	246	7%

Dynamics of EBT elements
(RON mn)



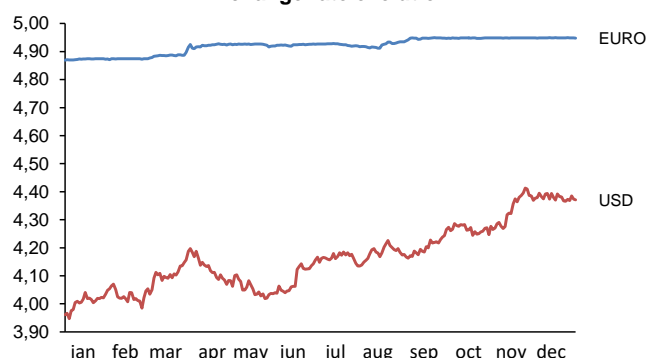
Financial result

The net financial result registered in 2021 is negative, amounting to RON 9 mn.

It was mainly influenced by the interest rates applied during the analysed period but also by the development of the national currency's exchange rate against Euro, the currency in which the Company has contracted bank loans to finance investment programs.

The RON/Euro and RON/USD exchange rate in 2021 is provided in the following graph:

Exchange rate evolution



Net result

It registered decrease during the studied period and reached a profit of RON 0.45 mn in 2021 compared to RON 145 mn recorded in 2020. The impact was generated by the evolution and the continuous upward trend of energy purchase prices. necessary for its own technological consumption.

Separate statement of financial position

[RON mn]	2021	2020	Δ	Δ (%)
Current assets				
Inventories	40	38	2	4%
Trade and other receivables	2,996	848	2,148	253%
Profit tax recoverable	21	1	20	n/a
Cash and cash equivalents	252	554	(302)	(54%)
Total	3,309	1,442	1,867	130%
Total assets	7,242	5,129	2,113	41%
Shareholders' Equity	3,355	3,395	(40)	(1%)
Non-current liabilities				
Long term borrowings	79	102	(22)	(22%)
Other loans and assimilated debts - Non-current building lease liabilities	23	31	(8)	(25%)
Other non-current liabilities	621	544	77	14%
Total	723	676	47	7%
Current liabilities				
Trade and other liabilities	3,034	888	2,146	242%
Short-term borrowings	25	25	-	1%
Other loans and assimilated debts - Current building lease liabilities	8	7	1	12%
Other current liabilities	98	137	(40)	(29%)
Total	3,164	1,058	2,107	199%
Total liabilities	3,887	1,733	2,154	124%
Total shareholder's equity and liabilities	7,242	5,129	2,113	41%

Non-current assets

They registered 7% increase in 2021 compared to 2020, against a background of higher tangible assets underway, mainly determined by investments made into high voltage substations and lines.

Assets of the usage rights for leased assets-buildings

Such assets related to the usage rights for leased assets - buildings represent the right to use the Company-rented spaces in Platinum Office Building, according to the provisions of IFRS 16 – Leasing Contracts.

Beginning with 01.10.2020 the new lease contract intrat (C232/2020 concluded with Dagesh Rom SRL) became effective, which is valid for 5 years.

On 31 December 2021, the accounting value of the usage rights for Company-leased spaces in the Platinum Office Building amounted to RON 30 mn.

Financial assets

Financial assets represent the value of the Company's shares in other companies. As of December 31, 2021, this amount was RON 81.7 mn, compared to that recorded as of December 31, 2020.

Current assets

Current assets increased significantly (130%) in 2021 compared to December 31, 2020, mainly due to the increase in trade receivables.

Trade receivables registered increase amounting to RON 1,345 mn (849 mn on 31 December 2020 compared to RON 2,194 mn on 31 December 2021), mainly because of greater volume of transactions on the balancing market and those resulting from market coupling in the 4th quarter of 2021 compared to the 4th quarter of 2020 generating the increase of trade receivables on balance on 31 December 2021 compared to 31 December 2020.

The main clients on trade receivables total are represented by: OPCOM, MAVIR, Ciga Energy SA, Electrica Furnizare SA, Cinta Energy SA, RAAN, Energy Complex Oltenia SA, Enel Energie SA, E.ON Energie Romania SA, and Joint Allocation Office SA. their share being 73.6% in total trade receivables.

On 31 December 2021 the Company registered receivables to cash under the bonus-type support scheme to promote high efficiency cogeneration about 9% (on 31 December 2020: 23%) from the total trade receivables.

Of the total trade receivables registered on December 31, 2021, 9% represent the receivables from the bonus support scheme for the promotion of high efficiency cogeneration, the percentage registered in 2020 being 23%.

On 31 December 2021 the the value of receivables was RON 207.8 mn, represented by invoices issued under the bonus-type support scheme to promote high efficiency cogeneration, of which:

- 2011-2013 overcompensation amounting to RON 76.7 mn, namely from RAAN – RON 63.5 mn and CET Govora SA – RON 13.2 mn;
- 2014 undue bonus in sum of RON 3.9 mn, namely from RAAN – RON 2 mn and CET Govora – RON 1.9 mn;
- 2015 undue bonus in sum of RON 0.6 mn, namely from CET Govora – RON 0.5 mn, Interagro – RON 0.03 mn;
- 2020 undue bonus in sum of RON 0.5 mn from Donau Chem;
- cogeneration contribution not collected from the suppliers of electricity consumers, amounting to RON 21.1 mn, namely from: Transenergo Com – RON 5.9 mn, PetProd – RON 4.4 mn, Romenergy Industry – RON 2.7 mn, RAAN – RON 2.4 mn, UGM Energy – RON 1.5 mn, CET Govora – RON 0.9 mn, KDF Energy – RON 0.9 mn and others.

Until the date of this report the Company fully cashed the receivables associated to the overcompensation for activities under the support scheme of 2020 (RON 16.5 mn) from Electrocentrale Bucharest, and RON 11.7 mn for undue bonus in sum of RON 12 mn established by ANRE Decisions in 2021, from the following generators: Bepco SRL, Energy Complex Hunedoara, Energy Complex Oltenia, CET Arad, CET Govora, Contourglobal Solutions, Electrocentrale Bucharest, Electro Energy Sud, Electroustilaj SA, Polytechnic University of Bucharest, Prefab, Soceram SA and Termoficare Oradea.

To extinguish receivables generated by over-compensation and undue bonus the Company requested the producers qualified under the support scheme to make mutual compensations. In case of generators (RAAN, CET Govora) that did not agree with such manner of extinguishing mutual receivables and liabilities the Company has applied and further applies the provisions of article 17 para 5 from Order 116/2013 of ANRE president approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the payment mode of the bonus for electricity generated under high efficiency cogeneration: "if the manufacturer has not paid in full to the support scheme administrator the payment obligations resulting from the provisions of this Regulation, the support scheme administrator shall pay the manufacturer the difference between the value of the invoices issued by the manufacturer and the payment obligations of the manufacturer regarding the support scheme. with the explicit mention, on the payment document, of the respective amounts" and withheld from payment the related amounts under the support scheme.

Other receivables on 31 December 2021 amounted to RON 189.9 mn increasing by 70% compared to 2020 and mainly included:

- sundry debtors (RON 96.8 mn), of which:
 - delay penalties calculated for defaulting clients amounted to RON 88.2 mn (of which RON 35.4 mn represent penalties under the support scheme).

The greatest delay penalties were registered by the following clients: RAAN (RON 16.9 mn), CET Govora (RON 9.6 mn), Electrocentrale Bucharest (RON 9.4 mn), Eco Energy SRL (RON 8.9 mn), Petprod SRL (RON 8.9 mn), Romelectro (RON 8.9 mn), Total Electric Oltenia (RON 3.3 mn), and OPCOM (RON 2 mn).

Impairment allowances were registered for penalties calculated for late payment of receivables from operational activities.

- compensations owed by suppliers for their non-delivery of electricity (Arelco Power RON 0.98 mn) and Enol Group (RON 2.54 mn). Impairment allowances were registered for the compensations owed by suppliers from operational activities;

- receivables recoverable from OPCOM representing VAT related to the contribution in kind to the subsidiary's share capital amounting to RON 4.52 mn.

- deferred expenses amounting to RON 5.8 mn are mainly represented by: expenses to procure OTC (RON 4.7 mn), rent and office building maintenance (RON 0.7 mn), RCA & CASCO policies and others;
- other non-current receivables in sum of RON 4.3 mn, of which RON 4.2 mn represent guarantees for temporary land occupation, calculated and withheld according to article 39 para (1), para (2) & para (5) of Law 46/2008 on the Forestry Code, in order to achieve the investment objective of the 400 kV OHL Resita – Pancevo (Serbia);
- other social receivables in sum of RON 2.9 mn representing medical leaves the employer paid to employees, which will be recovered from the National Health Insurance House, according to applicable legislation.

Down payments to suppliers paid on 31 December 2021 are represented by debtor suppliers for services amounting to RON 701 mn and mainly represent sums from transactions related to the price-coupling mechanism (*ICP – Interim Coupling Project*, *SIDC - Single Intraday Coupling and SDAC - Single Day-ahead Coupling*) (RON 632.7 mn for ICP & SDAC and RON 67 mn for SIDC).

VAT to recover- the amount not recovered until the date of this report is of RON 122.1 mn.

The policy of Transelectrica consists in registering impairment allowances for value losses in quantum of 100% for clients under dispute, insolvency and bankruptcy and 100% of trade receivables and other receivables not collected for more than 180 days, except for outstanding receivables generated by the support scheme. The Company also makes individual analysis of uncollected trade receivables and other receivables.

The greatest impairment allowances on 31 December 2021, calculated for trade receivables and associated penalties were registered for CET Govora (RON 24.9 mn), Eco Energy SRL (RON 24.7 mn), Petprod SRL (RON 23.5 mn), Arelco Power (RON 14.8 mn), Total Electric Oltenia SA (RON 14.2 mn), Romenergy Industry (RON 13.5 mn), Romelectro SA (RON 12.9 mn) GETICA 95 (RON 12.5 mn), Elsaco Energy (RON 9.3 mn), RAAN (RON 8.5 mn).

Non-current liabilities increased by 7% at the end of 2021 compared to 2020, due to the increase in the value of long-term advance income (from RON 352 mn at December 31, 2020 to RON 443 mn at December 31, 2021) represented mainly by European funds.

At the same time **current liabilities** also registered significant growth from RON 1,058 mn on 31 December 2020 to RON 3,164 mn on 31 December 2021, mainly against the background of higher trade and other liabilities (RON 3,034 mn at 31 december 2021).

Out of total trade payables and other payables, a significant impact came from the higher value of **suppliers on the energy market** in sum of RON 1,893 mn in 2021 compared to RON 468 mn in 2020.

- greater *balance of liabilities related to operational activities*, had a significant impact mainly determined by paying in quarter 1 of 2022 the payment liabilities on balance on 31 December 2021, mainly resulting from the electricity markets coupling.

- *higher balance of liabilities related to the balancing market* were determined by increased volume of transactions registered on the balancing market in December 2021, compared to December 2020.

- *higher liabilities related to the support scheme to suppliers (generators)* which was determined by higher monthly bonus for high efficiency cogeneration in the 4th quarter of 2021, compared to the 4th quarter of 2020.

Suppliers on the electricity market are represented mainly by: Hidroelectrica SA, MAVIR, OPCOM, IBEX, Energy Complex Oltenia SA, Electrocentrale Bucharest SA, OMV Petrom SA, CIGA Energy SA, BEPCO SRL, and Electrica Furnizare SA. On 31 December 2021

their share was about 89% in the total number of electricity suppliers.

On 31 December 2021 payment obligations were registered to suppliers (generators) in sum of RON 35.6 mn (RAAN – RON 32.2 mn and CET Govora SA – RON 3.4 mn), representing the monthly cogeneration bonus, ex-ante overcompensation in 2014 and 2015, bonus unpaid in 2015.

The amounts representing Company liabilities related to the support scheme to RAAN and CET Govora were withheld from payment based on article 17 para 5 from Order 116/2013 of ANRE president, since the suppliers (generators) register payment obligations to the Company under the bonus-type support scheme.

Significant influence came from the **“other liabilities”** category, recording growth from RON 305.5 mn in 2020 to RON 965.8 mn in 2021 (the main share represented by creditors). The structure of such liabilities is the following:

- *sundry creditors* amounting to RON 145.7 mn are represented mainly by the net position of the support scheme for high efficiency cogeneration, a liability position amounting to RON 138.7 mn;

The net position of the support scheme represents the difference between:

- *The contribution collected from the suppliers of electricity consumers, the overcompensation of electricity and heat generation under high efficiency cogeneration, the undue bonus to collect from generators as per ANRE decisions, on the one hand, and*
- *The cogeneration bonus, the ex-ante overcompensation and unpaid bonus payable to electricity producers under high efficiency cogeneration, beneficiaries of the support scheme, on the other hand;*

Sundry creditors also include the solution study contracts for ETG connection amounting to RON 3.7 mn, studies for synchronous interconnection of power systems from Ukraine and the Republic of Moldova with the European continental system amounting to RON 0.9 mn, royalty in quarter 4 of 2021 amounting to RON 1.2 mn and others.

- *client creditors* on 31 December 2021 amounted to RON 752 mn of which RON 751.6 mn represent amounts cashed in advance from OPCOM (RON 545.9 mn), MAVIR (RON 202.5 mn) and IBEX (RON 3.3 mn) under transactions related to price-coupling mechanisms, ICP (Interim Coupling Project), SIDC (Single Intraday Coupling) and SDAC (Single Day-ahead Coupling).

- *liability for assets related to usage rights of leased assets - buildings*, according to the provisions of IFRS 16 – Leasing Contracts, amounted to RON 31 mn (RON 22.8 mn non-current liability; RON 8.3 mn current liability).
- *other liabilities* amounting to RON 36.5 mn are mainly represented by payment bonds of contracts on the electricity market concluded by NPG Transelectrica SA in sum of RON 21.9 mn, non-requestable VAT of RON 14.4 mn during the reported period,
- *dividends owed to Company shareholders* on 31 December 2021 and unpaid amounted to RON 0.3 mn, being at the shareholders' disposal by means of the payment agent.

Provisions registered decrease in 2021 compared to 2020 from RON 91.6 mn on 31 December 2020 to RON 51.7 mn on 31 December 2021, diminish mainly determined by:

- Reduced provisions constituted for disputes, which on 31 December 2021 amounted to RON 31.2 mn compared to RON 50.4 mn registered at the end of 2020
- Diminished provisions for mandate contracts which on 31 December 2021 provided balance of RON 20.5 mn (of which RON 19.1 mn mainly represents the remuneration of executive and non-executive administrators, remuneration consisting of variable component related to OAVT packages allocated and not capitalised during mandates executed in 2013-2017), compared to RON 33.2 mn in 2020.

Interest-bearing liabilities

On 31 December 2021 the amount of non-current loans diminished compared to 31 December 2020, mainly because of repayments made according to existent loan agreements.

Shareholders' equity

Such capitals registered decrease, mainly determined by recording the distribution of dividends to shareholders in 2021 amounting to RON 63.77 mn. Thus shareholders' equities at the end of the year 2021 amounted to RON 3,355 mn, compared to RON 3,395 mn in 2020.

DEVELOPMENT OF SHARES

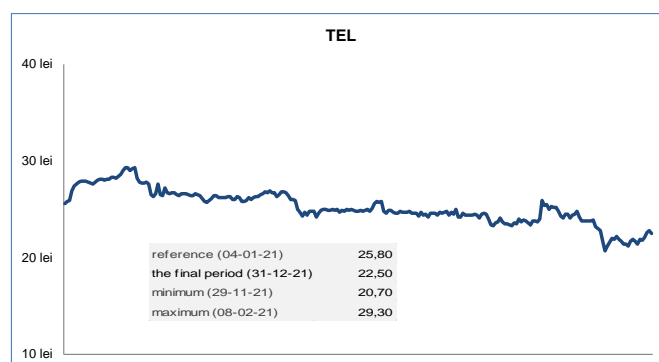
(01-Jan-2021 to 31-December-2021)

2021 began with 25.60 Lei/share transaction price. At the end of this period stock exchange capitalisation was of RON 1,649 mn, with the share at 22.50 Lei/share. The minimum transaction price of 20.70 Lei/share was

recorded on 29.11.2021, while the maximum of 29.30 Lei / share was reached on 08.02.2021.

The Company had the capacity to get adapted to the economic context generated by the Covid-19 pandemic during 2021, its repercussions being noticed in the 13% drop of the share price at the end of the period compared to the reference value from the beginning of the year and implicitly the market value by RON 242 mn.

Development of TEL share



Throughout 2021 the transaction of TEL shares on Romania's capital market recorded 17,671 transactions, with average number of 70 transactions / day and 3,498,316 shares transacted, in total value of 88,625 thousand Lei.

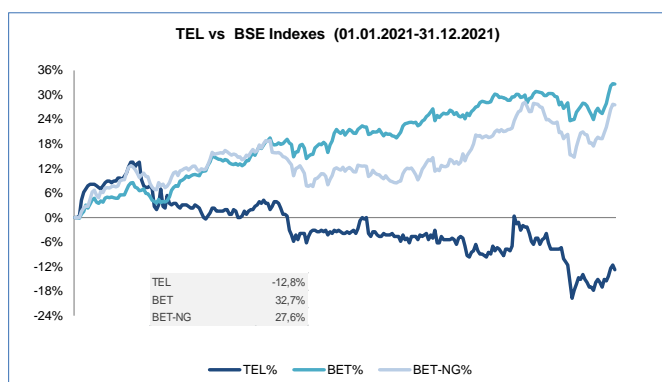
Transelectrica shares belong in the structure of the following stock exchange indexes: BET-NG, BET, BET-TR, BET-XT, BET-XT-TR, BET-BK, BETPlus, BET-TRN, and BET-XT-TRN.

Among those, the most representative for the Company are:

- BET index (Bucharest Exchange Trading - reference index of the capital market showing the development of the most liquid 19 companies listed on BVB's regulated market);
- BET-NG index (Bucharest Exchange Trading Energy & Related Utilities - sectoral index mirroring the development of energy companies and of the associated utilities listed on BVB's regulated market).

In accordance with the latest adjustment date registered on 10.12.2021 TEL shares have 1.21% share in BET index and 4.16% in BET-NG index.

The development of the TEL share against the two indexes is provided in the graph below:



MAIN RISKS AND UNCERTAINTIES

Risk is an objective concept, which means it is measurable and can be minimised using preventive measures. Risk exposure occurs when a share provides a possible gain or loss, which cannot be anticipated for certain.

Incertitude refers to a situation when there are several alternatives leading to a specific result, but the result probability is not certain. This is owed to insufficient information or knowledge about current state of affairs. Consequently, it is difficult to define or predict future results or events.

Obviously knowing the threats enables their classification depending on the likelihood of their occurrence, on the size of impacts over objectives and on the costs implied by the measures meant to reduce the occurrence chances or to limit unwanted effects.

In entire Transelectrica risks are periodically systematically analysed pertaining to one's activities, elaborating the Risk Register of identified risks and the corresponding Measure Plan towards limiting the possible consequences of such risks, according to legal provisions.

Among the elements that can impact the Company's liquidity are:

- Interest rate fluctuation; the Company attempts to minimise such risk both by negotiating the best interest rates and by contracting credits with fixed interest rate;
- Exchange rate variation; at present Transelectrica has got a single hard currency credit (Euro);
- The provisions of financing agreements: finance contracts comprise clauses regarding compliance with certain financial indicators, control changes over the Company, and pari passu clauses

Breaching these clauses can entail, based on preliminary notification and a reasonable amount of time, anticipated credit payment; some credits include penalty clauses for anticipated repayment.

To date the Company did not receive notification of anticipated reimbursement for the failure to comply with assumed obligations.

- Credit risk: the Company incurs financial loss because of a contractual partner's incapacity or refusal to comply with his contractual obligations; such risk mainly results from trade receivables, cash and cash equivalents. As measure to limit consequences the Company aims at concluding contracts with partners with sound solvability and a rating of "investment grade",
- Risk of not cashing securities under investment projects: the main cause of this risk results from bank or insurance companies providing security services without the financial capacity to pay the liabilities assumed under the securing instruments issued,
- The fiscality level, including the introduction of new charges and taxes.

Other risks identified in 2021 that might have impacted the Company's financial performance:

- Risk of credit rating deterioration when indicators and the macro-political environment worsen and/or the Company's financial performance gets worse. This risk reflects a complex of factors with potential effect over the financing costs on the credit market, which can significantly impact the Company taking into account the substantial capital amount necessary to be drawn to finance the investment plan of the following years. On the other hand the Company rating depends strongly on Romania's sovereign rating.
- Investment risk as result of financial difficulties caused both by historical liabilities, the competitive environment and by their management;
- the risk of not cashing amounts of money following the enforcement of the guarantee instruments which were the basis for guaranteeing the advance payments received by the executors within the investment projects,
- difficult procurement process for works within PTG Maintenance Program, which may lead to its incomplete implementation,
- difficult procurement process for works within the Annual Investment Program, which can lead to its achievement below the scheduled quantitative or qualitative levels.
- risks materialized at the level of territorial transmission units, namely, damage/failure/unavailability of 220 kV and 400 kV OHL, primary equipment in substations, transformer units and/or shunt reactors, protection and automation systems, control-monitoring (SCC)

systems, direct current and alternating current internal service facilities, fire prevention and extinguishing facilities, communication/telecommunication systems, impacting the health and safety of personnel, releases/spill of environmentally damaging substances (smoke, SF6, oil, fuels, etc.)

- Covid 19 impact: when the percentage of nation-wide sick people increased. To this effect all hygienical-sanitary measures were applied Company-wide in order to prevent and fight the pandemic effects over personnel and tele-work activities were resumed.

The Company has taken all measures to limit the impact on staff.

The Company does not only treat the consequences of events that might occur but applies reactive management, implementing measures meant to mitigate risk occurrence.

At the same time periodical reviews of risks, as provided by standards, lead to resource re-allocation in accordance with changed classifications and, implicitly, changed priorities.

Transelectrica pays proper importance to analysing the risk environment and timely detection of possible risks that might occur in the future, which should be approached in due time.

Throughout 2021 the Company did not find it impossible to comply with its financial obligations.

Therefore there are no risks or uncertainties for the following months of 2022 financial year, others than those provided previously, which might impact the Company's liquidity.

The Company has never been in a default situation with respect to financial obligations, but on the contrary it enjoys good liquidity.

In 2021, no problems were encountered in the relationship with the banking partners.

In conclusion treasury activities did not receive the impact generated by the epidemiologic context caused by SARS-CoV-2 spreading.

Beginning with 19 October 2021 the Company improved its rating (Corporate Family Rating), being assessed by Moody's Investors Service at sovereign rating level, namely Baa3, stable outlook.

By means of such upgrade Transelectrica passes from speculative to investment-grade area (moderate investment risk), taking into account the Company's strategic importance, the uninterrupted improvement of the regulatory framework and the benefit of governmental support in case of financial difficulties.

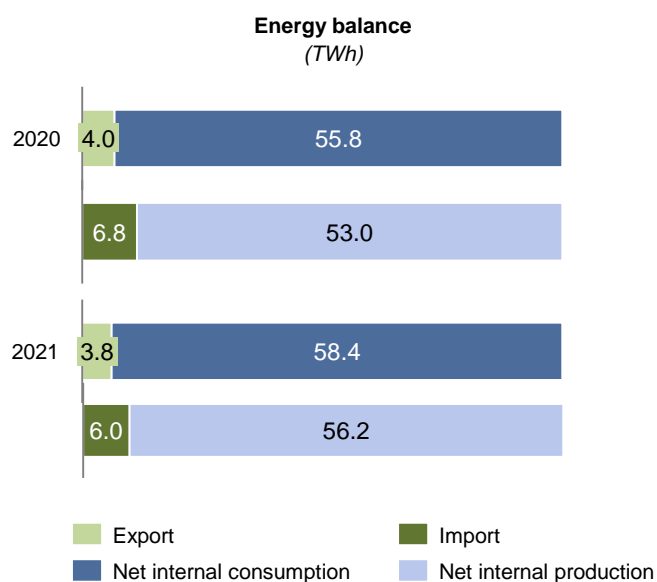


Operational Data

ENERGY BALANCE WITHIN NPS

Examining the development of the energy balance components in January – December 2021 compared to the same period of last year the net internal consumption¹ grew 5%, and the net electricity output - 6%.

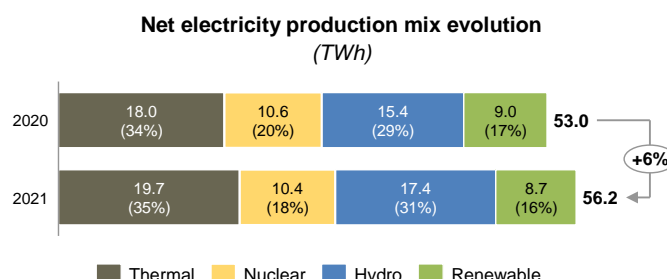
Physical exporting cross-border exchanges registered 5% decrease in 2021 compared to 2020, and importing cross-border exchanges dropped 12%.



GENERATION MIX

As far as the generation mix is concerned in January – December 2021 compared to the same period of 2020, the nuclear component decreased 2% and the renewable component- 3%. Hydro sources registered 13% growth, and thermal sources 9%.

Examining the shares of net output mix components in January – December 2021 one can notice the greatest share, 35%, is represented by thermal component followed by the hydro component at 31%, while the electricity generated from renewable and nuclear sources provides shares of about 16% namely 19%.

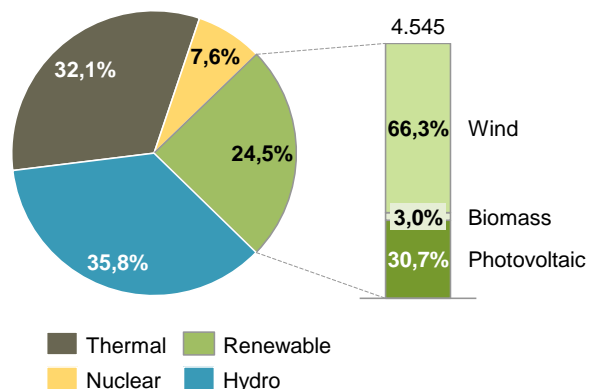


NATIONAL GENERATION FLEET

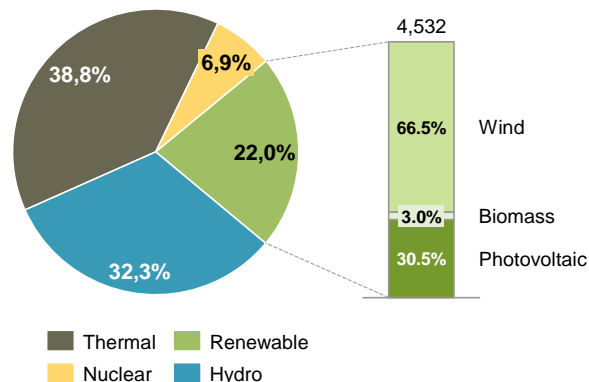
The installed capacity of thermal power plants dropped about 25%, from 7,993 MW installed on 31 December 2020 to 5,966 MW installed on 31 December 2021. The installed capacity of renewable sources grew 0.3% during the studied interval.

The installed capacity of January – December 2021 versus January - December 2020 is provided in the following graphs:

Installed capacity 2021 (18,569 MW, gross)



Installed capacity 2020 (20,582 MW, gross)



¹ Values do not include the consumption of auxiliary services from electricity generating plants; the net consumption value includes the losses of transmission and distribution networks as well as the consumption of pumps from pumping storage hydropower substations.

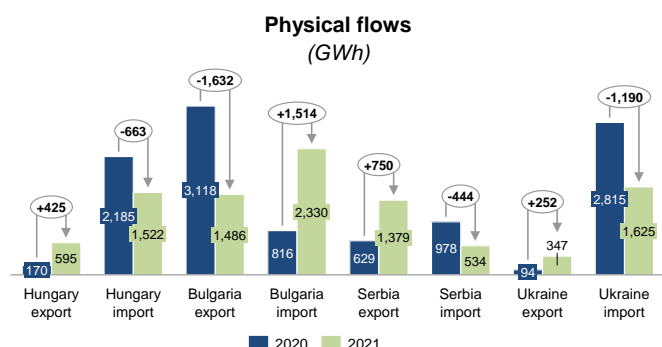
CROSS-BORDER FLOWS

The distribution of import/export flows on interconnection lines in January – December 2021 compared to January - December 2020 is as follows:

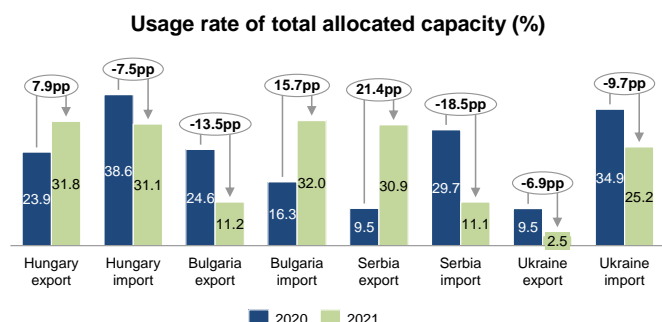
- Export decreased on the Bulgarian border and increased on the Serbian, Hungarian and Ukrainian borders, while import grew on the Bulgarian border and increased on the interconnection lines situated in deficit electricity output zones (on the Hungarian and Ukrainian frontiers) but also on the interconnection line located within the excess electricity output zone, namely the Serbian border.

In concrete terms, compared to January - December 2020 physical export flows dropped with Bulgaria (- 52% -1,632 GWh) and increased with Serbia (+750 GWh) with Hungary (+425GWh) and with Ukraine (+252 GWh), while at the same time physical import flows increased on the interconnection lines with Bulgaria (+1,514 GWh) and dropped on those to Serbia (-45% -444 GWh), Ukraine (-42% -1,190GWh) and Hungary (-30% -663 GWh).

Physical flows, both import and export on each border are provided below:



In January - December 2021 the utilisation of the capacity totally allocated on interconnection lines for export grew significantly in comparison with the same period of 2020 on the Serbian destination.



The usage rate of total capacity rights on one border and one direction represents the ratio, expressed in percentage points, between the electricity associated to achieved (notified) commercial exchanges during one month and the electricity corresponding to the total capacity rights.

In 2021 the electricity consumption of the entire SEN registered constant increases, of minimum 0.34% in December and maximum 21.65% in April; except for September and November 2021, when consumption reductions were registered of 0.7% in September, namely 1.8% in November.

Consumption increase was mainly influenced by the gradual resumption of industrial activities, by the temperature values registered in January – April 2021 compared to the same period of 2020, by a significantly colder weather, but also by the temperature values higher in the 2021 summer; also consumption drop was recorded during pandemic waves in correlation with the labour provided from home. 2021 ended with 5% consumption increase, while output grew 6%.

In comparison with quarter 4 of 2020 in general the utilisation grew of the capacity allocated for import, namely 13% growth of import commercial exchanges and 8% increase of export commercial exchanges, with 57% drop of transited electricity, against the background of low hydraulic capacity in October and November compared to last year and a higher domestic electricity consumption compared to the same period of 2020. In case of export, the higher utilisation of allocated capacity in comparison with the same period last year was determined by great decrease of the capacity allocated for export.

Transelectrica in its capacity of Transmission System Operator invests in expanding interconnection capacities, in the context of complying with European requirements as follows:

- Beginning with 1 February 2021 Romania's electricity market passed from the one hour settlement interval to 15 minutes settlement interval in order to comply with the requirements of European regulations (European Regulation 2195/2017, European Regulation 943/2019) and with the requirements of the national regulatory framework.

Implementing such settlement interval on the electricity market enables transactions much closer to the delivery interval.

Starting with the delivery date February 11, 2021, the 15-minute cross-border product was launched in continuous intraday trading on the Romania-Hungary border under SIDC (Single Coupling of Intraday Markets), which led to increased opportunities for market participants to adjust trade positions on the intraday market closer to physical delivery, and reducing their costs with imbalances in case of deviations from schedule.

- On June 17, 2021, for the delivery day June 18, 2021, the 4M MC borders (coupling of day-ahead markets in the Czech Republic, Slovakia, Hungary and Romania) were coupled with the multiregional coupling (MRC) by introducing the implicit allocation of net

capacity (NTC) on six new borders (PL-DE, PL-CZ, PL-SK, CZ-DE, CZ-AT, HU-AT).

As of October 28, 2021, the border between the Bulgaria and Romania bidding zones has also been integrated into SDAC, marking an important step in completing the European target model and extending the single European day-ahead market coupling, provided by European Regulation 1222/2015 (Guidelines on capacity allocation and congestion management/CACM).

The implemented price coupling allows the simultaneous determination of electricity prices and cross-border flows throughout the region.

The efficient use of the energy system and cross-border infrastructure, generated by closer coordination between energy market stakeholders, maximises social welfare for the benefit of all market participants.

- In accordance with Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline for electricity system balancing, art. 22 - European Platform for the imbalance netting process, all performing the automatic frequency restoration process under Part IV of Regulation (EU) 2017/1485, also implement the European Platform for the imbalance netting process.

The IGCC platform operates with secondary control (upward and downward) or aFRR (automatic Frequency Restoration Reserve) and has as main objective the reduction of opposite actions of member operators' regulators, thus resulting in an optimized use of the "secondary control band" system reserve, overall; in fact, the process represents a way to optimize the secondary load-frequency control.

Thus, on December 1, 2021, the RFP-TEL load-frequency control block belonging to Transelectrica S.A. was connected to the TransnetBW servers, thus integrating the local IGCC module of Transelectrica S.A. into the INPF (Imbalance Netting Process Function) located in Wendlingen (main server) and Esslingen (back-up server), Germany

The IGCC platform currently comprises 27 transmission system operators, of which 22 enjoy operational membership status - ADMIE Greece, APG Austria, NPG Co. Transelectrica S.A. Romania, Elia Belgium, Swissgrid Switzerland, CEPS Czech Republic, 50Hz Germany, Amprion Germany, TenneT DE Germany, TransnetBW Germany, Energinet Denmark, RTE France, HOPS Croatia, MAVIR Hungary, Terna Italy, CREOS Luxembourg, TenneT NL Netherlands, PSE Poland, REN Portugal, ELES Slovenia, REE Spain, SEPS Slovakia, 2 of them are non-operational members ESO - EAD Bulgaria, EMS Serbia, respectively 3 observer members - NOS BiH Bosnia and Herzegovina, CGES Montenegro and MEPSO North Macedonia.

Through this joining, the Romanian Transmission System Operator – NPG Co. Transelectrica S.A., complies with the legal obligations established by the European Regulation (EU) 2017/2195 of the *Commission of 2 August 2017 establishing a guideline on the operation of the electricity transmission system* (art. 22).

ONE'S OWN TECHNOLOGICAL CONSUMPTION

Compared to 2020, in 2021 OTC within RET grew by about 16%, and in percentage terms OTC increased from 2.19% to 2.47%.

The factors of significant influence over OTC between January - December 2021, for instance precipitation and distribution of cross-border physical flows, are beyond Transelectrica's control.

OTC DEVELOPMENT FACTORS

In January 2021, OTC in absolute value increased 32.4% compared to January 2020 because of unfavourable output distribution as well as unfavourable distribution of physical flows on interconnection lines, which have led to higher electricity transmission at long distance from sources, but also due to worse meteorological conditions, which determined greater corona losses. The percentage of losses compared to the electricity input into RET outline increased from 2.05% in 2020 to 2.94% in 2021. The electricity input into the outline decreased 7.4% in January 2021 (313.6 GWh) compared to the same period of 2020, since about 4.7% (155.5 GWh) electricity received from producers connected to RET decreased and about 35.2% (284.9 GWh) decrease of imported electricity, against a background of about 64.4% (126.8 GWh) growth of electricity from RED (power distribution grid). Meteorological conditions were bad compared to last year, the greater amount of precipitation determining higher corona losses.

In February 2021, OTC in absolute value increased 44.1% compared to February 2020 especially due to unfavourable distribution of physical flows on interconnection line and of output, which led to higher electricity transmitted at long distance from sources. The percentage of losses compared to the electricity input into RET outline increased from 1.97% in 2020 to 2.93% in 2021. The electricity input into the outline decreased 3.3% (124.5 GWh) in February 2021 compared to the same period of 2020, against the background of 43.5% (317.12 GWh) reduced import and of 10.17% (26.64 GWh) lower electricity from RED, when the electricity received from producers directly connected to RET increased 7.94% (219.2 GWh). Meteorological conditions were better than last year; the registered precipitation amount was lower and contributed to reduced corona losses.

In March 2021, OTC in absolute value increased about 15.8% compared to March 2020, especially because of unfavourable distribution of physical flows on interconnection lines, which led to higher electricity transmitted at long distance from sources and of higher electricity transmitted, but also because of bad meteorological conditions determining higher corona losses. The percentage of losses compared to the electricity input into RET outline increased from 2.38% in 2020 to 2.57% in 2021. The electricity input into the outline increased 7.1% (251.5 GWh) in March 2021 compared to the same period of 2020, against the background of 9.31% (258.88 GWh) higher electricity received from producers directly connected to RET, 1.4% (6.45 GWh) import reduction and 0.29% (0.97 GWh) lower electricity amount received from RED. Meteorological conditions were bad and determined higher corona losses.

In April 2021, OTC increased 43.9% compared to April 2020 because of unfavourable distribution of physical flows on interconnection lines, which led to higher electricity transmitted far from sources, of higher electricity amount transmitted, but also because of bad meteorological conditions, which determined higher corona losses. The percentage of losses compared to the electricity input into RET outline increased from 2.07% in 2020 to 2.58% in 2021. The electricity input into the outline increased 15.2% in April 2021 (441.1 GWh) compared to the same period of 2020, because of about 18.3% (402.7 GWh) higher electricity received from RET-connected producers and about 26.1% (68.5 GWh) higher electricity received from RED, against the background of 6.8% (30 GWh) lower electricity from import. Meteorological conditions were bad compared to last year, the higher amount of precipitation registered determining higher corona losses.

In May 2021, OTC increased 20.3% compared to May 2020 because of unfavourable physical flows distribution on interconnection lines, of higher electricity transmitted, but also because of unfavourable output distribution, which led to higher electricity transmitted far from sources. The percentage of losses compared to the electricity input into RET outline increased from 2.21% in 2020 to 2.59% in 2021. The electricity input into the outline increased 2.8% (87.9 GWh) in May 2021 compared to the same period of 2020, because of about 11.4% (257.5 GWh) higher electricity received from RET-connected producers and about 83.3% (212.9 GWh) higher received from RED, against the background of about 62.5% (382.6 GWh) reduction of imported electricity. Meteorological conditions were similar to last year in terms of precipitation amounts.

In June 2021, OTC increased about 14.3% compared to June 2020 especially because of unfavourable physical flows distribution on interconnection lines, which led to

higher electricity transmitted far from sources, but also higher transmitted electricity amounts; and because of bad meteorological conditions in areas with very dense electricity transmission lines, which determined higher corona losses. The percentage of losses compared to the electricity input into RET outline increased from 2.34% in 2020 to 2.35% in 2021. The electricity input into the outline increased 13.8% (415.1 GWh) in June 2021 compared to the same period of 2020, against the background of 23.5% (517.3 GWh) higher electricity from producers directly connected to RET and 39.3% (134.1 GWh) higher electricity from RED, when import dropped 51.8% (236.3 GWh).

In July 2021, OTC increased compared to July 2020 by 6.6%, due to the increase in electricity input into RET outline and the unfavorable distribution of production in the territory which led to higher electricity transmitted far from sources. The percentage of losses related to the energy input into RET decreased from 2.11% in 2020 to 2.05% in 2021. The electricity input into the outline increased by 10% in July 2021 (approx. 340 GWh) compared to the similar period in 2020, as a result of the increase by approx. 14.6% (approx. 381 GWh) of the energy received from the producers connected to RET and with approx. 0.4% (approx. 2 GWh) of that received from imports, amid a decrease of approx. 16.8% (approx. 43 GWh) of the energy received from RED. The weather conditions were similar to the previous year, the impact on corona losses being similar.

In August 2021, OTC decreased compared to August 2020 by 3.3%, mainly due to the advantageous distribution of physical flows on the interconnection lines, which led to a reduction in electricity transmitted far from sources. The percentage of losses related to the electricity input into RET decreased from 2.05% in 2020 to 1.92% in 2021. The electricity input into RET outline increased by 2.9% (approx. 104 GWh) in August 2021 compared to the similar period in 2020, as a result of an increase of 46.8% (approx. 208 GWh) of energy received from imports, amid a decrease of 1.7% (approx. 52 GWh) of energy received from producers connected to RET and 27% (approx. 52 GWh) of the one received from RED. The weather conditions were slightly more unfavorable in terms of rainfall compared to the previous year, causing slightly higher corona losses.

In September 2021, the OTC increased compared to September 2020 by about 6%, mainly due to the unfavorable distribution of physical flows on the interconnection lines and an unfavorable distribution of production in the territory, which led to an increase in electricity transmitted far from sources. The percentage of losses related to the energy input into RET increased from 2.22% in 2020 to 2.41% in 2021. The energy input into the outline decreased by 2.3% (approx. 85 GWh) in September 2021 compared to the similar period in 2020,

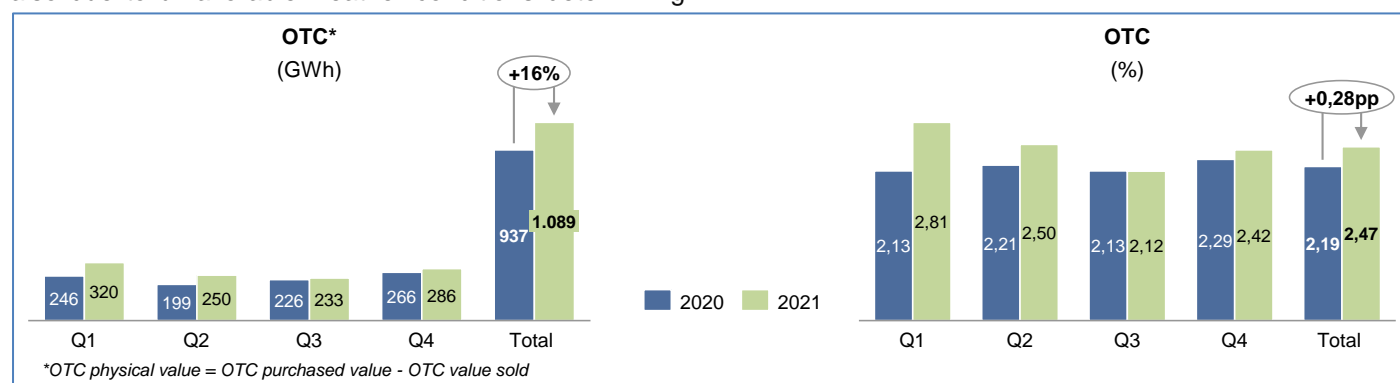
amid the reduction of energy received from producers directly connected to RET by 4.2% (approx. 123 GWh) and energy received from RED by 24.3% (approx. 57 GWh), given the increase in imports by 19.2% (approx. 95 GWh). The weather conditions in September 2021 were characterized by lower rainfall amounts than in the previous year and, implicitly, the corona losses were lower.

In October 2021, OTC decreased by 11% compared to October 2020, mainly due to favorable weather conditions, lower rainfall, determining lower corona losses. The percentage of losses related to the energy input into RET decreased from 2.45% in 2020 to 2.13% in 2021. The energy input into the outline increased by 2.5% in October 2021 (93,854 GWh) compared to the similar period in 2020, due to the 5.9% (163,930 GWh) increase in energy received from producers connected to RET, amid a 2.9% (20,915 GWh) decrease in imports and a 20.37% (49,160 GWh) decrease of the one from RED.

In November 2021, OTC increased by 10.5% compared to November 2020, mainly due to the unfavorable distribution of physical flows on the interconnection lines, the unfavorable distribution of production, which led to an increase in electricity transmitted far from sources, but also due to unfavorable weather conditions determining

higher corona losses. The percentage of losses related to the energy input into RET increased from 2.09% in 2020 to 2.30% in 2021. The energy input into the outline increased by 0.35% (13,468 GWh) in November 2021 compared to the similar period in 2020, due to the increase of energy from imports by 17.43% (112,017 GWh) and of the one from RED by 10.6% (112,017 GWh), amid the reduction of the energy received from producers directly connected to RET by 3.84% (115,764 GWh).

In December 2021, OTC increased by 22.2% compared to December 2020, mainly due to the unfavorable distribution of physical flows on the interconnection lines, which led to an increase in electricity transmitted far from sources, but also due to the increase of transmitted energy, namely following unfavorable weather conditions that determined higher corona losses. The percentage of losses related to the energy input into RET increased from 2.33% in 2020 to 2.81% in 2021. The energy input into the outline increased by 1.28% (52,028 GWh) in December 2021 compared to the similar period of 2020, amid the increase in energy from imports by 13.71% (78,289 GWh) and that from RED by 10.62% (27,625 GWh), given the reduction in energy received from producers directly connected to RET by 1.66% (53,886 GWh).



In conclusion overall in quarter I of 2021, OTC within RET grew about 30.2% compared to the same period of 2020, because of unfavourable distribution of physical flows on interconnection lines, of unfavourable output distribution in the first two months and bad meteorological conditions in January and March, which determined higher corona losses when the electricity input into RET outline decreased about 2%. Losses increased from 2.13% to 2.81% as against the electricity input into the outline.

The overall quarter II of 2021 provided about 25.3% higher OTC within RET compared to the same period of 2020 because of 10% higher amounts of transmitted electricity, of unfavourable distribution of physical flows on interconnection lines and bad meteorological conditions in April and June, which determined higher

corona losses. Losses increased from 2.21% to 2.50% against the electricity input into the outline.

The overall quarter III of 2021, OTC within RET increased by approx. 3.2% compared to the similar period of 2020, mainly due to the increase of about 3% of the transmitted energy. Losses decreased slightly from 2.13% to 2.12% against the electricity input into the outline.

Compared to the third quarter of 2020, in general, it was registered an increase in import-allocated capacity utilization, respectively an increase of 28% in import trade and 97% in energy transit and a 2% decrease in export trade, amid lower hydraulics in August and September compared to last year and higher internal electricity consumption may compared to the same period in 2020.

The overall quarter IV of 2021, OTC within RET increased by approx. 7.3% compared to the same period in 2020, due to a 1% increase in transmitted energy, a more unfavorable distribution of physical flows on

interconnection lines, especially in the last two months, and unfavorable weather conditions in November and December, leading to higher corona losses. Compared to the energy input into the outline, the losses increased from 2.29% to 2.42%.



PTG Development

➤ Investments

NON-CURRENT ASSETS REGISTERED IN ACCOUNTING BOOKS

The increase in the total value of tangible assets on 2021 compared to 2020 was determined by the increase in the value of tangible assets in progress.

In 2021 the value of non-current assets recorded in accounting amounted to RON 256.2 mn (RON 176.5 mn in the same period of 2020), RON 80 mn growth.

The balance of tangible assets under execution on 31 December 2021 amounted to RON 885.4 mn and is represented by projects underway, of which the most significant are provided below:

- The 400 kV double circuit OHL Cernavoda - Stalpu and connection in Gura Ialomitei – RON 294.59 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - the 400 kV simple circuit OHL Portile de Fier - (Anina) - Resita – RON 92.68 mn;
- Connecting the 400 kV OHL Isaccea - Varna and the Isaccea - Dobrogea OHL in the 400 kV substation Medgidia Sud – RON 56.71 mn;
- Refurbishing the 220/110 kV substation Hasdat – RON 53.02 mn;
- Connecting to RET the 300 MW WPP Ivesti, the 88 MW WPP Falciu 1 and the 18 MW WPP Falciu 2 through the new (400)/220/110 kV substation Banca – RON 46.88 mn;
- Upgrading the 400 (220)/110/20 kV substation Munteni – RON 31.66 mn;
- Upgrading the 220/110/20 kV substation Raureni – RON 25.49 mn;
- Upgrading the 220/110 kV substation Dumbrava – RON 18.63 mn;
- Upgrading the 220/110/20 kV substation Arefu – RON 16.21 mn;
- Refurbishing the 220/110 kV substation Iaz – RON 16.12 mn;
- 110 kV, 220 kV and 400 kV mobile bays – RON 14.30 mn;
- Refurbishing the 110 kV substation Medgidia Sud – RON 13.74 mn;
- Installing the 400 MVA, 400/231/22 kV AT2 and associated bays in substation Iernut and upgrading the command-control system of the 400/220/110/6 kV substation Iernut – RON 13.55 mn;

- Extending the 400 kV substation Gura Ialomitei by two bays: the 400 kV OHL Cernavoda 2 & 3 – RON 12.81 mn;
- Extending the 400 kV substation Cernavoda, stage I+II, replacing 2 shunt reactors, connection of new lines – RON 12.17 mn;
- Upgrading the 110 kV and 400 (220 kV) installations of substation Focsani Vest – RON 11.93 mn;

PROCUREMENT OF ASSETS

In 2021 the procurements of tangible and intangible assets amounted to RON 494.6 mn, a higher sum compared to the same period of 2020 when procurements amounted to RON 375.5 mn.

Growth was registered in 2021 in the value of tangible assets underway, mainly represented by investments into high voltage substations and lines, as follows:

- The 400 kV double circuit OHL Cernavoda - Stalpu and connection in Gura Ialomitei – RON 182.53 mn;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - the 400 kV simple circuit OHL Portile de Fier - (Anina) - Resita – RON 31.02 mn;
- Refurbishing the 400/110/20 kV substation Domnesti – RON 23.16 mn;
- Refurbishing the 220/110 kV substation Iaz – RON 22.82 mn;
- Upgrading the 400 (220)/110/20 kV substation Munteni – RON 21.03 mn;
- Refurbishing the 220/110 kV substation Craiova Nord – RON 20.33 mn;
- Refurbishing the 400/110/20 kV substation Smardan – RON 14.74 mn;
- Connecting the 400 kV OHL Isaccea - Varna and the Isaccea - Dobrogea OHL in the 400 kV substation Medgidia Sud, stage I - Extending the 400 kV substation Medgidia Sud – RON 14.67 mn;
- Extending the 400 kV substation Gura Ialomitei by two bays: the 400 kV OHL Cernavoda 2 & 3 – RON 12.67 mn;
- Refurbishing the 220/110 kV substation Hasdat – RON 11.98 mn;
- Replacing the 400/400/160 MVA 400/231/22 kV AT 3 ATUS-SF of the 400/220 kV substation Portile de Fier – RON 11.05 mn;
- Installing the 250 MVA T3 in the 400/110 kV substation Sibiu Sud – RON 10.98 mn;

- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – RON 10.82 mn;
- Refurbishing the 110 kV substation Medgidia Sud – RON 10.24 mn;
- Upgrading the 220/110/20 kV substation Raureni – RON 10.23 mn;
- Replacing autotransformers (AT) and transformers (T) in electric substations, stage 2, step 2, Lot 1 - Lot 2 – RON 10.12 mn.

In 2021 the greatest transfers from tangible assets in progress to tangible assets, amounting to RON 254.28 mn, are mainly represented by commissioning investments, of which the most significant are provided below:

- Refurbishing the 400/110/20 kV substation Domnesti – RON 63.52 mn;
- Refurbishing the 220/110 kV substation Craiova Nord – RON 20.16 mn;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – RON 17.80 mn;
- Refurbishing the 220/110 kV substation Iaz – RON 16.57 mn;
- Installing the 250 MVA T3 in the 400/110 kV substation Sibiu Sud – RON 14.94 mn;
- Extending the business continuity and post-disaster recovery services – RON 14 mn;
- Replacing the 400/400/160 MVA 400/231/22 kV AT3 ATUS-SF of the 400/220 kV substation Portile de Fier – RON 13.74 mn;
- Replacing AT and T in electric substations, stage 2, step 2, Lot 1 - Lot 2 – RON 12.24 mn;
- 400 kV mobile bays to connect shunt reactors in the 400 kV substations Bradu & Sibiu Sud – RON 12.01 mn;

INVESTMENT ACTIVITY ON 31.12.2021

Investment expenses as of 31 December 2021 are detailed by main chapters in the annual investment plan correlated with the main chapters in the Company's Development Plan and are as follows:

No.	Types of expenditures	Programmed* (thou. RON)	Achieved (thou. RON)
	Grand total (A+B)	557,854	499,378
A	Company's own expenses	531,546	479,510
I	Further investments	479,749	438,520
II	New investments	18,706	14,224
III	Other investment expenses	33,091	26,766
B	Investments financed from the connection fee	26,307	19,869

* 2021 AIP revision A11

On 31 December 2021 the investment plan was achieved 89.5% in the General Total and 90.2% in the category of the Company's own expenses.

Compared to the achievements of 2020, the total investment expenditures in 2021 increased by 38%.

COMPANY FINANCIAL INVESTMENTS

In Europe the energy sector is under change with emphasis on the transition from a prevalently national development model of the energy sector to an European integrated coordinated development model continental-wide, enabling also tailoring to national specific features while targeting the legitimate interests of European states.

In this context the Company has affiliated to the following entities:

- **TSCNET**
- **JAO**
- **SEE RSC**

TSCNET (TSCNET Services GmbH)

It was established to serve the Transmission System Operators (TSO) of eastern-central-western European part (CORE region) in view of coordinated implementation of European network codes. Affiliation means participating to the shareholders of TSCNET by purchasing company shares.

Decision 9 of SEGA of 05 June 2018 approved Company affiliation to the Security Coordinating Centre of CORE region, TSCNET by participating to its share capital with 470,500 Euro (1 share – 2.500 EUR).

JAO (Joint Allocation Office)

Beginning with 2019 bids allocating long-term capacities have been performed in coordinated manner by JAO, which was nominated Operator of the Single Allocation Platform (SAP).

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

Decision 10 of SEGA of 20 August 2018 approved the Company's affiliation to the Joint Allocation Office (JAO) by cash subscription of 259,325 Euro, being allotted 50 shares.

SEE RSC (Centre Coordinating the Electricity Network of South-Eastern Europe)

Through the Romanian – Bulgarian border Romania is part of the coordinated calculation region of cross-border transfer capacities South-East Europe (SEE). In terms of regional coordination of operational safety services, this region will be served by an independent legal entity exercising the part of regional operational safety coordination centre (further called SEE RSC).

The Company's affiliation to the shareholders of SEE RSC became effective on 22.05.2020 by cash

subscription of 50,000 Euro, being allotted 50,000 shares.

On February 25, 2022, the Extraordinary General Meeting of Shareholders approved the Company's exit from the shareholding of the regional center for coordinating safety in the operation of power systems in Southeast Europe - Selene CC, with full recovery of capital invested by the Company in this company until present (50,000 euros).

CONTRACTUAL ASPECTS

The most important investment contracts signed in 2021 are as follows:

- The 400 kV double circuit OHL Gutinaș - Smârdan – RON 247.8 mn;
- Refurbishing the 400/110 kV Pelicanu substation – RON 96.4 mn;
- Increasing the transmission capacity of the 220 kV OHL Stejaru-Gheorgheni-Fântânele – RON 43.0 mn.

➤ Quality of transmission and system services provided

According to the Performance Standard for electricity transmission and system service - approved by ANRE Order 12/2016, the representative performance indicators for PTG management and operation as well as for the continuity of the transmission service are:

- availability of the transmission network 99.9999%;
- transmitted electricity (GWh) and the percentage coefficient of energy losses in the power transmission grid - values presented in the corresponding section OTC (Operational data);
- average time unavailability of facilities, determined by scheduled or unscheduled (accidental) events, reported in km for lines (INDLIN), or MVA for transformers and autotransformers (INDTRA).

Indicators for PTG management/operation are as follows:

Indicator	2021	2020
INDLIN (hours/year)		
Total	205.60	112.50
· Unscheduled (accidental)	6.04	4.24
· Scheduled	199.56	108.26
INDTRA (hours/year)		
Total	179.21	230.85
· Unscheduled (accidental)	4.99	1.76
· Scheduled	174.22	229.09

In 2021, there was an average total unavailability over time of OHL - INDLIN in the amount of 205.6 hours/interval, 82.76% higher than that recorded in 2020 (112.5 hours/interval).

The evolution by categories of the average unavailability over time of the facilities in 2021 compared to 2020 is with:

- ✓ ▲ 42.5% – unscheduled
- ✓ ▲ 84.3% – scheduled.

Among the causes that led to the increase of unavailability (both scheduled and unscheduled) in 2021 compared to 2020 are: the increase in the number of OHL incidents, bad weather, overgrown vegetation in the security corridor, but also human action resulting in the fall of OHL towers (e.g. Rahman-Dobrudja 400 kV OHL terminal 174).

In 2021, there was an average total unavailability over time of INDRA transformers in the amount of 179.2 hours/interval, 22.37% lower than that recorded in 2020 (230.85 hours/interval).

The evolution by categories of the average time unavailability of TRAFO in 2021 compared to 2020 is:

- ✓ ▲ 183.8% – unscheduled
- ✓ ▼ 23.9% – scheduled.

Although the unscheduled unavailability of TRAFO has increased in 2021, there is still a reduction in the total unavailability of transformers - INDTRA.

- energy not supplied to consumers - ENS (Energy Not Supplied) due to interruptions and the average interruption time - AIT (Average Interruption Time) which is the equivalent average period of time, expressed in minutes, in which power supply was cut off.

Transmission service continuity indicators are:

Indicator	2021	2020	2019
ENS following PTG incidents [MWh]	109.76	287.98	91.79
ENC following PTG incidents [MWh]	90.50	0.00	6.53
AIT-ENS (min/year)	1.01	2.84	0.90
AIT-ENC (min/year)	0.84	0	0.06

In 2021, the value of TMI (AIT-ENS) was 1.01 min/year, lower than the value of AIT in 2020 which was 2.837 min/year. This is due to the decrease in the amount of energy undelivered to consumers (ENS).

In 2021, a quantity of undelivered energy to consumers (ENS) of 109.76 MWh was registered, 62% lower than the quantity of undelivered energy to consumers registered in 2020, which was 287.98 MWh.

➤ Maintenance

When carrying out the annual PTG maintenance programs, priority is given to the works/services that lead to the increase of the facilities' operational safety, the completion of the contracted works/services and those that contribute to the proper operation of the

facilities. The perspective of implementing the program of remote control and supervision of electrical installation, requiring the rehabilitation of electrical equipment, which will lead in the future to lower personnel and operating costs, must also be taken into account.

For 2021, PTG maintenance expenses amounting to RON 96.53 mn were made, an amount that includes major maintenance, minor maintenance as well as other maintenance expenses.

The achievements by types of PTG maintenance (RON mn) compared to the 2021 budget are as follows:

Maintenance	2021 Budget	2021 Achievements
Minor routine	30.1	29.9
Minor corrective (including equip/materials)	44.0	41.7
Major routine	27.8	24.9
Total	102.0	96.6



Other issues

TARIFFS

Transmission tariff (transmission service + functional system service)

In view of implementing the new European regulation package, especially *Directive (EU) 2019/944* and *Regulation (EU) 2019/943*, and *Regulation (EU) 2017/2195* and *Regulation (EU) 2017/1485*, in July 2020 upon ANRE's initiative it was proposed to harmonise the methodologies establishing tariffs for electricity transmission tariffs and system service tariffs (only the functional system service component), namely the *Methodology establishing tariffs of electricity transmission services* approved by Order 171/2019 of ANRE president and the *Methodology establishing tariffs of system services* approved by Order 45/2017 of ANRE president (only the functional system service component), with later amendments and additions, with the provisions of the fore-mentioned European regulations.

To this effect beginning with 01 January 2021 ANRE Order 153/2020 *Transmission Methodology* establishes the determining method of regulated revenues and the calculation of regulated tariffs for electricity transmission services, which also include a component for the functional system service. Unification was possible because the principles and rules establishing revenues and tariffs are similar.

Taking into account the above and for a best understanding of data to be further provided, a cumulated tariff was calculated for transmission activities in the period before 1 January 2021, which represents a virtual theoretical tariff calculated by summing up tariffs of profit allowed activities, namely transmission and system functional services (the two tariffs were applied for the same electricity quantity taken out of the grid).

Index	Tariff	m.u.	Applied tariff 1 Jul – 31 Dec 2020	Applied tariff 1 Jan – 31 Dec 2021	Difference (%)
A	Electricity transmission	lei/MWh	17.97	20.55	-
B	Functional system services	lei/MWh	2.49		-
A+B	Total (A+B)	lei/MWh	20.46	20.55	+0.44%

Thus the factors that significantly contributed to changing the tariffs shown in the table above, effective as of 01.01.2021 as per ANRE Order 214/09.12.2020 are detailed as follows:

- 1) Linearisation difference in the first year of the regulatory period IV (2020 -2024) amounting to 17,009,824 RON.

The fore-mentioned revenue difference was determined as difference between the cumulated revenues of the two regulated activities, resulting after resuming the linearisation procedure and the sum between the linearised revenue established for 2020 strictly of transmission services and the regulated revenue approved for functional system services.

- 2) Contribution correction to ANRE budget amounting to 19,326,090 RON.

The re-linearisation made taking also 2020 into calculation, expenses of ANRE contribution were reduced to 0.2% of the turnover compared to the first linearisation when they were calculated at 2% quota according to the ANRE Order applicable then.

- 3) The difference between the percentage values of inflation in 2020 and 2021 notified by the National Forecast Commission under the 2019 Autumn forecast vs. 2020 Autumn forecast:

CNP – Autumn forecast 2019		CNP – Autumn forecast 2020	
2020	2021	2020	2021
3%	2.8%	2.2%	2.5%

Tariffs of system services (ex-technological system services)

In accordance with the provisions of article 47 from the *Methodology establishing tariffs for system services, approved by Order 45/2017 of the president of the National Regulatory Authority in the Energy domain*, with later amendments and additions and after the analysis of expenses and revenues related to system services transmitted by NPG Co. Transelectrica SA according to

the provisions of the Guideline to monitor TSO activities and the results of bids posted on the website www.transelectrica.ro, ANRE ascertained compliance with the conditions for tariff review of system services approved for 1 July 2020 – 30 June 2021. Thus according to article 45 of the fore-mentioned Methodology: “*Tariffs of system services can be reviewed at minimum 3 months in case differences above 5% between the TSO’s justified revenues and costs are found for this service in the studied period.*”

Index	Tariff	m.u.	Applied tariff	Applied tariff	Difference (%)
			1 Jul 2020 - 28 Feb 2021	1 Mar – 31 Dec 2021	
B	System service	lei/MWh	11.96	10.82	-9.53%

Taking into account the above the factors with significant contribution to changing the tariffs in the above table becoming effective on 01.03.2021, as per ANRE Order 9/24.02.2021, are detailed as follows:

- 1) The correction resulted by summing up the corrections of 1 July 2019 – 30 June 2020 and of semester II 2020, January-February 2021, amounts to -93,041,919 RON. Mention should be made that, upon request of NPG Co. Transelectrica SA, the correction was spread into 2 equal instalments, with a view to avoid the significant negative impact its full application might have.
- 2) The 3% increase in the quantity of chargeable electricity compared to the forecast used in the calculation of previous tariff determined -2.8% decrease of the approved tariff.

The second correction instalment will be included in the 2022 system service tariff. Such correction generated - 6.7% tariff decrease

LATER EVENTS

Joint integration tests and the new launch date of the Core Flow-Based Market Coupling project

The parties involved in the Core Flow-Based Market Coupling project have reported that the first phase of Full Integration Testing (FIT) has been successfully completed on January 13, 2022.

FIT testing focused on the functionality of all systems involved in the FB MC process and between them, proved that the solution is able to perform the FB MC process.

The next phase of testing (Simulation Integration Testing - SIT) started on January 17, 2022 and is expected to take place by the end of February 2022.

SIT testing focuses on testing common operational procedures to prove that the solution is able to facilitate the day-to-day operational process.

After testing in January and alignment with the Exempt Parties (SDAC), Project Parties can now confirm that the new release date will be April 20, 2022 (trading day for delivery on April 21, 2022).

Convening the shareholders’ ordinary and extraordinary general assembly

The Company’s Directorate convened on February 25, 2022 the Shareholders’ Ordinary and Extraordinary General Assembly with the main items on the agenda:

- Establishing the Investment Program for the financial year 2022 and the estimates for 2023 and 2024
- Approval of the 2022 Income and Expenditure Budget as well as estimates for 2023 and 2024
- Approval of the Company’s exit from the shareholding of the regional center for the coordination of the operational safety of power systems in the South-Eastern Europe region - Selene CC.

Acceptance by NPG Co. Transelectrica S.A. of modernization works at Roman Nord transformer substation

On February 2, 2022, the company issued a press release regarding the completion of Roman Nord substation, an investment of RON 17 mn, from own funds, which completes the major refurbishment project of the 400 kV Moldavia Axis, together with the Bacău Sud, Gutinaș and Suceava substations, refurbished in previous stages.

Through the modernization process of Roman Nord substation, started in 2018, advanced technological standards have been implemented that facilitate automated remote operation under safe conditions.

ANRE Decision

ANRE decision

On February 21, 2022, Transelectrica informed the shareholders and stakeholders that ANRE, through the General Division for Licenses, Tariffs, Investment Monitoring, communicated to the Company on February 18, 2022 ANRE Decision 167/16.02.2022 on the implementation of Civil Sentence no. 3982/08.10.2018 of the Bucharest Court of Appeal remained final by the Decision of the High Court of Cassation and Justice no. 2688/2021.

ANRE document no. 29104/17.02.2022 establishes the following:

The regulated purchase price of the technological system services provided by Hidroelectrica for Transelectrica, recalculated for the periods:

- 01.07.2015 – 30.06.2016 amounting to 676.67 lei/hour-group and
- 01.07.2016 – 30.06.2017 amounting to 713.42 lei/hour-group.

The price difference resulting from the prices approved by ANRE through Decisions 1377/25.06.2015 and 1035/22.06.2016 reported to Decision 167/16.02.2022 is in the amount of 21,340,716 lei.

Transelectrica will pay to Hidroelectrica the total amount mentioned above, until 31.12.2022.

The company will fully recover the total amount mentioned in the amount of 21,340,716 lei, through the regulated tariff for system services, in the next tariff period.

EIB Agreement for consulting services

The company informs on February 23, 2022 the shareholders and stakeholders about the signing, with the European Investment Bank (EIB), of a support services agreement, free of charge.

The signed agreement will represent an important step in decongesting the processes and accelerating the investments that Transelectrica has foreseen in the 10-year Power Transmission Grid Development Plan.

Decision no. 1 of the Company's Shareholders' Ordinary General Assembly of February 25, 2022

On February 25, 2022, the Company's Shareholders' Ordinary General Assembly issued Decision no. 1 by which:

- approved the Investment Program for the financial year 2022 and the estimates for 2023 and 2024;
- approved the Company's 2022 Income and Expenditure Budget, as well as the estimates for 2023 and 2024.

Decision no. 2 of the Company's Shareholders' Extraordinary General Assembly of February 25, 2022

On February 25, 2022, the Company's Shareholders' Extraordinary General Assembly issued Decision no. 2 by which:

approved the exit of the Company from the shareholding of the regional center for the coordination of the operational safety of power systems in the South-Eastern Europe region - Selene CC, with full recovery of the capital invested by the Company in this company so far (50,000 euros).



Annexes

ANNEX 1: Stand-alone statement of financial position

[RON mn]	2021	2020	Δ	Δ (%)
	1	2	3=1-2	4=1/2
ASSETS				
Non-current assets				
Tangible assets	3,815	3,561	254	7%
Assets of the usage rights for leased assets - buildings	30	38	(8)	(21%)
Intangible assets	7	7	0	2%
Financial assets	82	82	0	n/a
Total non-current assets	3,933	3,687	246	7%
Current assets				
Inventories	40	38	2	4%
Trade and other receivables	2,996	848	2,148	253%
Cash and cash equivalents	252	554	(302)	(54%)
Profit tax recoverable	21	1	20	n/a
Total current assets	3,309	1,442	1,867	130%
Total assets	7,242	5,129	2,113	41%
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' Equity				
Share capital, of which:	733	733	0	n/a
<i>Subscribed share capital</i>	733	733	0	n/a
Share premium	50	50	0	n/a
Legal reserves	138	138	0	n/a
Revaluation reserves	769	842	(72)	(9%)
Other reserves	31	17	14	79%
Retained earnings	1,634	1,616	18	1%
Total shareholders' equity	3,355	3,395	(40)	(1%)
Non-current liabilities				
Long term deferred revenues	443	352	91	26%
Long term borrowings	79	102	(22)	(22%)
Other loans and assimilated debts - Long-term leasing of buildings	23	31	(8)	(25%)
Deferred tax liability	117	119	(2)	(1%)
Employee benefits liabilities	60	73	(13)	(17%)
Total non-current liabilities	723	676	47	7%
Current liabilities				
Trade and other liabilities	3,034	888	2,146	242%
Other loans and assimilated liabilities - Leasing of buildings	8	7	1	12%
Other tax and social security liabilities	14	17	(3)	(16%)
Short-term borrowings	25	25	0	1%
Provisions	52	92	(40)	(44%)
Short-term deferred revenues	32	29	3	9%
Total current liabilities	3,164	1,058	2,107	199%
Total liabilities	3,887	1,733	2,154	124%
Total shareholders' equity and liabilities	7,242	5,129	2,113	41%

ANNEX 2: Stand-alone profit or loss statement

[RON mn]									
Indicator	2021	2020	S1 2021	S2 2021	Budgeted 2021	Achieved 2021 vs 2020	Achieved 2021 vs 2020 %	Achieved vs Budgeted 2021	Achieved vs Budgeted 2021 %
0	1	2	3	4	5	6=1-2	7=1/2	8=1-5	9=1/5
Operating revenues									
Transmission revenues	1,252	1,035	612	640	1,215	217	21%	37	6%
System services revenues	624	795	321	302	621	(171)	(22%)	3	1%
Balancing market revenues	1,823	495	469	1,354	1,320	1,328	268%	503	107%
Other revenues	57	42	19	38	43	15	35%	14	74%
Total operating revenues	3,756	2,367	1,422	2,334	3,199	1,388	59%	557	39%
Operating expenses									
System operating expenses	576	310	202	374	427	267	86%	149	74%
Balancing market expenses	1,810	495	456	1,353	1,309	1,315	266%	501	110%
Technological system services expenses	610	566	291	318	601	44	8%	9	3%
Depreciation and amortisation	274	268	130	144	274	7	2%	(0)	(0%)
Personnel expenses	244	273	113	131	249	(29)	(10%)	(5)	(4%)
Repairs and maintenance expenses	97	98	37	61	108	(1)	(1%)	(11)	(29%)
Materials and consumables	10	8	3	7	14	2	27%	(4)	(142%)
Other operating expenses	123	170	66	58	171	(47)	(28%)	(47)	(72%)
Total operating expenses	3,745	2,188	1,299	2,446	3,154	1,557	71%	591	46%
Operating profit	11	180	123	(113)	45	(169)	(94%)	(34)	(28%)
Finance income	6	10	3	3	8	(3)	(35%)	(2)	(44%)
Finance cost	15	15	5	10	12	0	2%	3	55%
Net finance result	(9)	(5)	(2)	(7)	(4)	(4)	(73%)	(4)	(243%)
Profit before income tax	2	175	121	(119)	41	(173)	(99%)	(39)	(32%)
Income tax	1	30	17	(15)	5	(28)	(95%)	(3)	(18%)
Net profit	0.45	145	104	(104)	36	(145)	n/a	(36)	(34%)

ANNEX 3: Stand-alone cash flow statement

[RON mn]	2021	2020	Δ
Cash flows from operational activities			
Profit of the period	0.4	145.0	(145)
Income tax expense	1.4	29.8	(28)
Amortisement expense	274.5	267.9	7
Expenses with adjustments for trade receivables impairment	14.7	1.4	13
Revenues from reversal of adjustments for trade receivables impairment	(4.3)	(2.3)	(2)
Losses from various debtors	0.04	0.00	0
Net expenses/income with adjustments for various debtors impairment	10.1	4.4	6
Net expenditures with adjustments for inventories impairment	1.8	4.4	(3)
Net profit/ loss on sale of tangible assets	0.5	0.4	0
Net expenditures on adjustments of value regarding tangible assets	(13.7)	9.0	(23)
Net Expenses/Income regarding provisions for risks and expenses, net	(45.2)	28.9	(74)
Interest expense, interest revenue and unrealised exchange rate gains	7.2	5.5	2
Cash flows before changes to working capital	247.5	494.2	(247)
Changes in:			
Clients and assimilated accounts - energy and other activities	(1768.6)	(85.0)	(1684)
Clients – balancing	(388.8)	(44.7)	(344)
Clients – cogeneration	(12.8)	(20.0)	7
Inventories	(1.5)	(0.9)	(1)
Trade and other liabilities - energy and other activities	1655.8	261.7	1394
Liabilities - balancing	409.6	62.7	347
Liabilities - cogeneration	68.8	(20.7)	90
Other loans and assimilated debts - Building lease	0.0	31.2	(31)
Other taxes and social insurance liabilities	(2.7)	8.3	(11)
Deferred revenues	15.3	(15.3)	31
Cash flows from operational activities	222.6	671.5	(449)
Interests paid	(4.4)	(6.9)	2
Income tax paid	(23.1)	(47.4)	24
Net cash generated from operational activities	195.1	617.2	(422)
Cash flows from the investment activity			
Acquisition of tangible and intangible assets	(494.6)	(375.4)	(119)
Participation titles held in SELENE CC Societe Anonyme	0.00	(0.24)	0
Proceeds from EC non-reimbursable financing	93.15	0.00	93
Received Interests	2.49	7.15	(5)
Dividends cashed	0.02	0.00	0
Other financial assets	0.0	85.0	(85)
Net cash used in the investment activity	(399.0)	(283.5)	(115)
Cash flows used in financing activities			
Repayments of non-current borrowings	(23.7)	(24.9)	1
Building lease payments	(10.5)	(10.4)	(0)
Reimbursement of the credit line for cogeneration	0.0	(29.5)	30
Dividends paid	(63.7)	(35.6)	(28)
Net cash used in financing activities	(97.9)	(100.4)	2
Net increase/decrease in cash and cash equivalents	(301.8)	233.2	(535)
Cash and cash equivalents as at January 1st	554.0	320.8	233
Cash and cash equivalents at the end of the period	252.2	554.0	(302)

ANNEX 4: Economic-financial indicators of the reporting period

Indicators	Formula	2021	2020
Current liquidity ratio (x)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.05	1.36
Indebtness indicators (x):			
(1) Indebtedness indicator	$\frac{\text{Debt capital}}{\text{Shareholder's equity}} \times 100$	3.1%	3.7%
(2) Indebtedness indicator	$\frac{\text{Debt capital}}{\text{Committed capital}} \times 100$	3.0%	3.6%
Clients' turnover (zile)	$\frac{\text{Average client balance}^* \times \text{no.days}}{\text{Turnover}}$	122.21	83.51
Non-current assets turnover (x)	$\frac{\text{Turnover}}{\text{Non-current assets}}$	0.94	0.63

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

ANNEX 5 REPORT (according to SEGA Decision 4/29.04.2015) on the contracts signed in 2021 to procure assets, services and works, which value is above 500,000 Euro/purchase (for assets and works) and above 100,000 Euro/purchase (for services)

No.	Contract number	Contractual object	Term months	Value		Contract type	Legal base	Procurement procedure
				thousand RON	thousand Euro			
0	1	2	3	4	5	6	7	8
1	C 25/2021	Upgrade of 220/110/20 kV Arefu substation	30	38,634	-	Works	Law 99/2016 + GD 394/2016	Open tender
2	C 45/2021	Refurbishment of 220/110 kV Filești substation	31	37,512	-	Works	Law 99/2016 + GD 394/2016	Open tender
3	C 67/2021	Procurement and installation of 21 monitoring systems for the transformation units in Transelectrica substations	42	10,658	-	Works	Law 99/2016 + GD 394/2016	Open tender
4	C 47/2021	Power supply modernization at UNO-DEN headquarters	12	8,751	-	Works	Law 99/2016 + GD 394/2016	Open tender
5	C 27/2021	Car fuel for the car fleet, diesel electricity sets and other tools and equipment of Transelectrica	24	5,347	-	Supply	Law 99/2016 + GD 394/2016	Open tender
6	C 21/2021	Consolidating the servers and the data storage network (private cloud)	7	4,671	-	Supply	Law 99/2016 + GD 394/2016	Open tender
7	C 22/2021	Multispectral airborne inspection of 110-220-400-750 kV overhead lines (OHL)	36	2,887	-	Services	Law 99/2016 + GD 394/2016	Open tender
8	PT 04/1175/2021	Specific guard, intervention and particular case interventions to the facilities of TTU Pitești	9	2,292	-	Services	Law 99/2016 + GD 394/2016	Negotiation procedure without prior call
9	CT 808/2021	Mowing services & vegetation removal in TTU Constanța substations, lot 1 - Zone CE Constanta, lot 2 - Zone CE Tulcea & lot 3 - Zone CE Galați	24	564	-	Services	Law 99/2016 + GD 394/2016	Open tender
10	C 89/2018 AA3	Addendum 3 to contract C89/2018 "Sub-rental services of office spaces in OPCOM SA"	36	-	111	Services	Law 99/2016 + GD 394/2016	Own procedure
11	C 156/2021	400 KV D.C. OHL Gutinaș-Smârdan	24	247,805	-	Works	Law 99/2016 + GD 394/2016	Open tender
12	C 5/2021	Refurbishment of the 400/110 KV Pelicanu transformer substation	35	96,388	-	Works		Open tender
13	C 113/2021	Maintenance of the local metering system in the electric substations of NPG Co. TRANSELECTRICA S.A.	36	4,270	-	Services	Law 99/2016 + GD 394/2016	Open tender
14	BC 2/2021	Upgrade with a view to remove galloping on the 400 kV OHL of Baragan – Fetesti area. Reducing galloping effects on the 400 kV OHL Bucharest South - Gura Ialomitei and the 400 kV OHL Cernavoda - Gura Ialomitei (circuit 2)	5	3,745	-	Works	Law 99/2016 + GD 394/2016	Open tender
15	C 86/2021	Revolving bank credit line	12	2,580	-	Services	Law 99/2016 + GD 394/2016	Open tender
16	C 266/2021	Strategic services/works in the facilities managed by NPG Co. Transelectrica S.A.	36	227,340.89	-	Services	Law 99/2016 + GD 394/2016	Competitive negotiation

17	C 254/2021	Increasing the transmission capacity of the 220 kV OHL Stejaru-Gheorgheni-Fântânele	36	43,097.41	-	Works	Law 99/2016 + GD 394/2016	Open tender
18	CR 256/2021	220 kV double circuit OHL Ostrovu Mare - RET - stage II - installation of OPGW protective conductor on the existing 220 kV OHL Porțile de Fier I - Cetate circuit 1 + 2	24	3,687.87	-	Works	Law 99/2016 + GD 394/2016	Open tender
19	C 244/2021	Replacement of hardware components, update and development of specific applications of the balancing market platform - II DAMAS, component - acquisition of migration services and upgrade of specific applications of the balancing market for DAMAS computer platform	36	-	2,202.54	Works	Law 99/2016 + GD 394/2016	Negotiation procedure without prior call for competition
20	C 245/2021	Mobile telephone and mobile internet services to ensure the continuity of voice-data communications for the Company	36	1,814.24	-	Services	Law 99/2016 + GD 394/2016	Simplified procedure
21	CJ 199/2021	Special services of guard and intervention to TTU Cluj objectives	6	1,083.53	-	Services	Law 99/2016 + GD 394/2016	Own procedure
22	BC 318/2021	Mowing and vegetation removal services in order to prevent fires in power substations managed by TTU Bucharest	24	553.93	-	Services	Law 99/2016 + GD 394/2016	Open tender
23	PT 28/7927/2021	Maintenance services for 220-400kV OHL crossing corridors in areas with arboreal vegetation	8	531.10	-	Services	Law 99/2016 + GD 394/2016	Open tender
24	CR 289/2021	Cleaning services at TTU Craiova headquarters and substations (lot 1)	24	4,821.30	-	Services	Law 99/2016 + GD 394/2016	Open tender
25	CR 470/2021	Special services of guard and intervention to TTU Craiova facilities	36	8,313.17	-	Services	Law 99/2016 + GD 394/2016	Open tender
26	C 348/2021	Spare parts required for the maintenance of explosion and fire prevention installations - SERGI	36	5,145.98	-	Supply	Law 99/2016 + GD 394/2016	Negotiation without prior call
27	TM 11/2021	Special services of guard and intervention to TTU Timișoara facilities	6	1,914.18	-	Services	Law 99/2016 + GD 394/2016	Own procedure
28	C 467/2021	Financial audit services for 2021 - 2023	36	1,100	-	Services	Law 99/2016 + GD 394/2016	Simplified procedure
29	C 362/2021	Subsequent contract no. 1 to framework agreement no. C 245/2021 Mobile telephone and mobile internet services to ensure the continuity of voice-data communications for the Company	15	-	149.58	Services	Law 99/2016 + GD 394/2016	Retendering



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