

**No. 13603/23.03.2022**

### **NOTE**

regarding approval of the Shareholders' General Assembly on the Stand-alone financial statements of NPG Co. Transelectrica S.A. for the financial year 2021

In accordance with the provisions of MFP Order 881/2012, beginning with 2012 financial year, trading companies whose securities are admitted for transaction on a regulated market (the capital market) apply the International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRS-EU) when elaborating the annual stand-alone statements.

NPG Co. Transelectrica S.A. has elaborated stand-alone financial statements for 2021 financial year in accordance with OMFP 2844/2016 approving the Accounting regulations compliant with the International Financial Reporting Standards, with later amendments and additions.

Annual financial statements have got the components provided in the International Accounting Standard (IAS) 1 – "Submission of financial statements" and they comprise: financial position statement, profit and loss account and global result statement, changes in shareholders' equities, cash flows and explanatory notes to the annual financial statements, in accordance with the provisions of article 6 from OMFP 2844/2016.

Taking into account the above in accordance with article 14, para. (1) let. a) from the Articles of Association of NPG Co. Transelectrica S.A. updated by SEGA Decision 12/21.12.2020, **we submit to approval by the Shareholders' General Assembly the Stand-alone financial statements of NPG Co. Transelectrica S.A. for 2021 financial year**, as follows:

- financial position statement;
- profit and loss account and global result statement;
- changes in shareholder's equities;
- cash flows statement;
- explanatory notes to the annual financial statements.

### **DIRECTORATE**

<b>Chairman</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>
<b>Gabriel ANDRONACHE</b>	<b>Florin-Cristian TĂTARU</b>	<b>Ștefăniță MUNTEANU</b>	<b>Cătălin-Constantin NADOLU</b>	<b>Marius-Viorel STANCIU</b>

**CNTEE Transelectrica SA**  
**Company managed under two-tier system**

**Stand-alone financial statements**  
**as of and for the financial year ended on**  
**31 December 2021**

**Elaborated in accordance with**  
**Order 2844/2016 of the Minister of Public Finance**  
**with later amendments and additions**  
**approving the Accounting Regulations**  
**compliant with the International Financial Reporting Standards**

**CNTEE Traselectrica SA**

Stand-alone financial position statement on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

	<u>Note</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible assets	5	3,814,698,495	3,560,861,042
Assets representing rights of use under a lease - buildings	6	29,820,897	37,773,137
Intangible assets	7	7,105,259	6,976,600
Financial assets	7	81,742,973	81,742,973
<b>Total non-current assets</b>		<b>3,933,367,624</b>	<b>3,687,353,752</b>
<b>Current assets</b>			
Inventories	8	39,939,697	38,401,417
Trade and other receivables	9	2,995,581,608	847,936,655
Income tax to recover	17	21,213,984	1,247,719
Other financial assets	11	-	-
Cash and cash equivalents	10	252,225,142	554,003,528
<b>Total current assets</b>		<b>3,308,960,431</b>	<b>1,441,589,319</b>
<b>Total assets</b>		<b>7,242,328,055</b>	<b>5,128,943,071</b>
<b>Shareholders' equities and liabilities</b>			
<b>Shareholders' equities</b>			
Share capital, of which:		733,031,420	733,031,420
- Share capital subscribed		733,031,420	733,031,420
Share premium		49,842,552	49,842,552
Legal reserves		137,926,619	137,832,724
Revaluation reserves		769,348,928	841,699,025
Other reserves		31,145,250	17,441,687
Retained earnings		1,633,807,204	1,615,652,289
<b>Total shareholders' equities</b>	<b>12</b>	<b>3,355,101,973</b>	<b>3,395,499,697</b>
<b>Non-current liabilities</b>			
Non-current deferred revenues	13	443,434,048	352,028,637
Borrowings	14	79,455,068	101,671,268
Other loans and assimilated liabilities - Building leasing - long term	16	22,751,934	30,531,904
Liabilities regarding deferred taxes	17	117,343,340	119,037,879
Liabilities regarding employees' benefits	15	59,960,381	72,641,000
<b>Total non-current liabilities</b>		<b>722,944,771</b>	<b>675,910,688</b>

The attached notes are integrant parts of these stand-alone financial statements

**CNTEE Transelectrica SA**

Stand-alone financial position statement on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

	<b>Note</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Current liabilities</b>			
Trade and other liabilities	<b>16</b>	3,033,542,108	887,977,288
Other loans and assimilated liabilities - Building leasing - short term	<b>16</b>	8,273,431	7,416,569
Other tax and social insurance liabilities	<b>19</b>	14,323,661	17,011,429
Borrowings	<b>14</b>	24,871,963	24,709,805
Provisions	<b>16</b>	51,688,960	91,564,358
Current deferred revenues	<b>13</b>	31,581,188	28,853,237
Payable income tax	<b>17</b>	-	-
<b>Total current liabilities</b>		<b>3,164,281,311</b>	<b>1,057,532,686</b>
<b>Total liabilities</b>		<b>3,887,226,082</b>	<b>1,733,443,374</b>
<b>Total shareholders' equities and liabilities</b>		<b>7,242,328,055</b>	<b>5,128,943,071</b>

These stand-alone financial statements were signed by the Company's management on 17 March 2022:

**DIRECTORATE,**

<b>Chairman</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>
<b>Gabriel</b>	<b>Florin-Cristian</b>	<b>Stefanita</b>	<b>Catalin-Constantin</b>	<b>Marius-Viorel</b>
<b>ANDRONACHE</b>	<b>TATARU</b>	<b>MUNTEANU</b>	<b>NADOLU</b>	<b>STANCIU</b>

**Director, Economic-Financial and Administrative Unit**  
**Ana-Iuliana DINU**

**Manager, Accounting Department**  
**Georgiana-Beatrice STEFAN**

The attached notes are integrant parts of these stand-alone financial statements

**CNTEE Traselectrica SA**

Stand-alone profit and loss account for the year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

	<u>Note</u>	<u>2021</u>	<u>2020</u>
<b>Revenues</b>			
Transmission revenues		1,252,286,233	1,035,250,114
System service revenues		623,720,414	795,026,206
Balancing market revenues		1,822,563,918	494,999,492
Other revenues		56,969,232	42,119,650
<b>Total revenues</b>	<b>20</b>	<b>3,755,539,797</b>	<b>2,367,395,462</b>
<b>Operational expenses</b>			
System operation expenses	<b>21</b>	(576,408,805)	(309,845,522)
Balancing market expenses	<b>21</b>	(1,809,588,063)	(494,999,492)
Expenses regarding technological system services	<b>21</b>	(609,608,093)	(566,016,094)
Amortisement		(274,471,326)	(267,864,639)
Personnel expenses	<b>22</b>	(244,336,202)	(272,967,907)
Repairs and maintenance		(97,438,234)	(97,964,964)
Expenses for materials and consumables	<b>23</b>	(9,696,131)	(7,645,879)
Other operational expenses	<b>23</b>	(123,424,865)	(170,343,923)
<b>Total operational expenses</b>		<b>(3,744,971,719)</b>	<b>(2,187,648,420)</b>
<b>Operational profit</b>		<b>10,568,078</b>	<b>179,747,042</b>
Financial revenues		6,402,152	9,794,414
Financial expenses		(15,092,341)	(14,809,236)
<b>Net financial result</b>	<b>24</b>	<b>(8,690,189)</b>	<b>(5,014,822)</b>
<b>Result before income tax</b>		<b>1,877,889</b>	<b>174,732,220</b>
Income tax	<b>17</b>	(1,427,998)	(29,775,400)
<b>Result of the year</b>		<b>449,891</b>	<b>144,956,820</b>
<b>Basic resul and diluted per share (Lei/share)</b>	<b>18</b>	<b>0.006</b>	<b>1.977</b>

The attached notes are integrant parts of these stand-alone financial statements

**CNTEE Transelectrica SA**

Stand-alone profit and loss account for the year ended on 31 decembrie 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

	<u>Note</u>	<u>2021</u>	<u>2020</u>
<b>Result of the year</b>		<b>449,891</b>	<b>144,956,820</b>
<b>Other comprehensive revenue</b>			
Elements which will not be reclassified into profit and loss account, of which:			
- Taxation effect related to the revaluation reserve	<b>17</b>	-	-
- Gain/(loss) from revaluation of tangible assets	<b>5</b>	-	(1,069,585)
- Actuarial (loss)/gain of the defined benefit plan	<b>15</b>	9,222,556	999,668
<b>Other comprehensive revenue items (AERG)</b>		<b>9,222,556</b>	<b>(69,917)</b>
<b>Total comprehensive result</b>		<b>9,672,447</b>	<b>144,886,903</b>

These stand-alone financial statements were signed by the Company's management on 17 March 2022:

**DIRECTORATE,**

<b>Chairman</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>
<b>Gabriel</b>	<b>Florin-Cristian</b>	<b>Stefanita</b>	<b>Catalin-Constantin</b>	<b>Marius-Viorel</b>
<b>ANDRONACHE</b>	<b>TATARU</b>	<b>MUNTEANU</b>	<b>NADOLU</b>	<b>STANCIU</b>

**Director, Economic-Financial and Administrative Unit**  
**Ana-Iuliana DINU**

**Manager, Accounting Departament**  
**Georgiana-Beatrice STEFAN**

The attached notes are integrant parts of these stand-alone financial statements

**CNTEE Tranelectrica SA**

Stand-alone statement of changes in shareholders' equities for the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

	<u>Share capital</u>	<u>Share premium</u>	<u>Legal reserves</u>	<u>Revaluation reserves</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
<b>Balance on 1 January 2020</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>129,096,113</b>	<b>922,454,926</b>	<b>15,771,718</b>	<b>1,433,931,608</b>	<b>3,284,128,337</b>
<b>Comprehensive result</b>							
Profit of the year	-	-	-	-	-	144,956,820	<b>144,956,820</b>
<b>Other comprehensive revenue, of which:</b>							
Recognition of the actuarial profit of the defined benefit plan	-	-	-	-	-	999,668	<b>999,668</b>
Surplus from revaluation of tangible assets				(1,069,585)			<b>(1,069,585)</b>
Deferred tax liability related to the revaluation reserve				534,309		(534,309)	-
Transfer of revaluation reserves into retained earnings *)				(80,221,592)	-	80,221,592	-
<b>Total other comprehensive revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(80,756,868)</b>	<b>-</b>	<b>80,686,951</b>	<b>(69,917)</b>
<b>Total comprehensive revenue of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(80,756,868)</b>	<b>-</b>	<b>225,643,771</b>	<b>144,886,903</b>
<b>Other elements</b>							
Legal reserve	-	-	8,736,611	-	-	(8,736,611)	-
<b>Other elements</b>				<b>967</b>		<b>(971)</b>	<b>(4)</b>
<b>Total other elements</b>	<b>-</b>	<b>-</b>	<b>8,736,611</b>	<b>967</b>	<b>-</b>	<b>8,737,582</b>	<b>(4)</b>
<b>Contributions from and distributions to shareholders</b>							
Derecognition of assets like public patrimonial assets by registration of HG 615, 682 & 683 of 2019 amending the inventory of assets in the public domain							
Subsidies related to assest from the state's public domain	-	-	-	-	1,669,969		<b>1,669,969</b>
Dividends distribution	-	-	-	-		(35,185,508)	<b>(35,185,508)</b>
<b>Total contributions from and distributions to shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,669,969</b>	<b>(35,185,508)</b>	<b>(33,515,539)</b>
<b>Balance on 31 December 2020</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>137,832,724</b>	<b>841,699,025</b>	<b>17,441,687</b>	<b>1,615,652,289</b>	<b>3,395,499,697</b>

These stand-alone financial statements were signed by the Company's management on 17 March 2022:

**DIRECTORATE,**

<b>Chairman</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>
<b>Gabriel ANDRONACHE</b>	<b>Florin-Cristian TĂTARU</b>	<b>Stefanita MUNTEANU</b>	<b>Catalin-Constantin NADOLU</b>	<b>Marius-Viorel STANCIU</b>

**Director, Economic-Financial and Administrative Unit**  
**Ana-Iuliana DINU**

**Manager, Accounting Department**  
**Georgiana-Beatrice STEFAN**

The attached notes are integrant parts of these stand-alone financial statements

**CNTEE Transelectrica SA**

Stand-alone statement of changes in shareholders' equities for the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

	Share capital	Share premium	Legal reserves	Revaluation reserves	Other reserves	Retained earnings	Total
<b>Balance on 1 January 2021</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>137,832,724</b>	<b>841,699,025</b>	<b>17,441,687</b>	<b>1,615,652,289</b>	<b>3,395,499,697</b>
<b>Comprehensive result</b>							
Profit of the year	-	-	-	-	-	449,891	<b>449,891</b>
<b>Other comprehensive revenue, of which:</b>							
Recognition of the actuarial profit of the defined benefit plan	-	-	-	-	-	9,222,556	<b>9,222,556</b>
Surplus from revaluation of tangible assets				-		-	-
Deferred tax liability related to the revaluation reserve				-		-	-
Transfer of revaluation reserves into retained earnings				(72,350,097)	-	72,350,097	-
<b>Total other comprehensive revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(72,350,097)</b>	<b>-</b>	<b>81,572,653</b>	<b>9,222,556</b>
<b>Total comprehensive revenue of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(72,350,097)</b>	<b>-</b>	<b>82,022,544</b>	<b>9,672,447</b>
<b>Other elements</b>							
Legal reserve indexation	-	-	93,895	-	-	(93,895)	-
Other elements – diminishing the reserve to increase capital				-	(599,411)	-	<b>(599,411)</b>
<b>Total other elements</b>	<b>-</b>	<b>-</b>	<b>93,895</b>	<b>-</b>	<b>(599,411)</b>	<b>(93,895)</b>	<b>(599,411)</b>
<b>Contributions from and distributions to shareholders</b>							
Derecognition of assets like public patrimonial assets by registration of HG 615, 682 & 683 of 2019 amending the inventory of assets in the public domain	-	-	-	-	-	-	-
Subsidies related to assest from the state's public domain	-	-	-	-	14,302,974	-	<b>14,302,974</b>
Dividends distribution	-	-	-	-	-	(63,773,734)	<b>(63,773,734)</b>
<b>Total contributions from and distributions to shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,302,974</b>	<b>(63,773,734)</b>	<b>(49,470,760)</b>
<b>Balance on 31 December 2021</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>137,926,619</b>	<b>769,348,928</b>	<b>31,145,250</b>	<b>1,633,807,204</b>	<b>3,355,101,973</b>

These stand-alone financial statements were signed by the Company's management on 17 March 2022:

**DIRECTORATE,**

<b>Chairman</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>
<b>Gabriel ANDRONACHE</b>	<b>Florin-Cristian TATARU</b>	<b>Stefanita MUNTEANU</b>	<b>Catalin-Constantin NADOLU</b>	<b>Marius-Viorel STANCIU</b>

**Director, Economic-Financial and Administrative Unit**  
**Ana-Iuliana DINU**

**Manager, Accounting Department**  
**Georgiana-Beatrice STEFAN**

The attached notes are integrant parts of these stand-alone financial statements



**CNTEE TRANSELECTRICA SA**

Stand-alone statement of cash flows from the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operational activities</b>		
Profit of the year	449,891	144,956,820
<b>Allowances for:</b>		
Income tax expense	1,427,998	29,775,400
Amortisement expenses	274,471,326	267,864,639
Allowance expenses for impairment of trade receivables	14,686,348	1,364,509
Reversal of allowances for impairment of trade receivables	(4,312,283)	(2,326,859)
Losses from sundry debtors	35,619	-
Net expenses with allowances for impairment of sundry debtors	10,140,884	4,363,791
Net expenses with allowances for impairment of inventories	1,789,558	4,356,234
Net profit/loss from sales of tangible assets	529,275	419,547
Net expenses with allowances regarding tangible assets	(13,748,146)	8,952,622
Net expenses/revenues regarding provisions for risks and expenses	(45,190,687)	28,939,964
Interest expense, interest revenue and unrealised foreign exchange gains	7,190,423	5,539,881
<b>Cash flows before changes in the current capital</b>	<b>247,470,206</b>	<b>494,206,548</b>
<b>Changes into:</b>		
Clients and assimilated accounts - energy and other activities	(1,768,587,337)	(84,992,281)
Clients - balancing	(388,801,567)	(44,715,053)
Clients - cogeneration	(12,753,532)	(20,003,519)
Inventories	(1,538,280)	(881,686)
Trade and other liabilities - energy and other activities	1,655,846,259	261,689,862
Liabilities - balancing	409,586,787	62,723,646
Liabilities - cogeneration	68,792,639	(20,749,654)
Other loans and assimilated liabilities - Building leasing	-	31,241,689
Other tax and social insurance liabilities	(2,687,768)	8,259,314
Deferred revenues	15,285,135	(15,299,114)
<b>Cash flows from operational activities</b>	<b>222,612,542</b>	<b>671,479,752</b>
Interest paid	(4,415,250)	(6,913,071)
Income tax paid	(23,088,802)	(47,392,337)
<b>Net cash generated from operational activities</b>	<b>195,108,490</b>	<b>617,174,344</b>
<b>Cash flows used in investments</b>		
Procurements of tangible and intangible assets	(494,645,574)	(375,448,615)
Participation titles held in SELENE CC Societe Anonyme	-	(242,140)
Proceeds from non-repayable CE financing	93,151,201	-
Interest cash	2,487,352	7,152,543
Dividends cashed	23,352	1,769
Other financial assets	-	85,000,000
<b>Net cash used in investments</b>	<b>(398,983,669)</b>	<b>(283,536,443)</b>
<b>Cash flows used for finance</b>		
Repayments of non-current loans	(23,725,852)	(24,858,399)

**CNTEE Transelectrica SA**

Situția fluxurilor de numerar pentru exercitiul financiar încheiat la 31 decembrie 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

Repayment of credit line for cogeneration	-	(29,540,187)
Payments - Building leasing	(10,527,252)	(10,394,399)
Dividends paid	(63,650,103)	(35,610,035)
<b>Net cash used for finance</b>	<b>(97,903,207)</b>	<b>(100,403,020)</b>
<b>Net gain/(loss) of cash and cash equivalents</b>	<b>(301,778,386)</b>	<b>233,234,881</b>
<b>Cash and cash equivalents on 1 January</b>	<b>554,003,528</b>	<b>320,768,647</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>252,225,142</b>	<b>554,003,528</b>

These stand-alone financial statements were signed by the Company's management on 17 March 2022:

**DIRECTORATE,**

<b>Chairman</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>
<b>Gabriel</b>	<b>Florin-Cristian</b>	<b>Stefanita</b>	<b>Catalin-Constantin</b>	<b>Marius-Viorel</b>
<b>ANDRONACHE</b>	<b>TATARU</b>	<b>MUNTEANU</b>	<b>NADOLU</b>	<b>STANCIU</b>

**Director, Economic-Financial and Administrative Unit**  
**Ana-Iuliana DINU**

**Manager, Accounting Department**  
**Georgiana-Beatrice STEFAN**

*\*) Note: On 31.12.2021 the liability variation was reclassified with Building Leasing under "Other loans and assimilated liabilities – Building Leasing" under "Trade and other liabilities - energy and other activities"*

The attached notes are integrant parts of these stand-alone financial statements



## CNTEE TRANSELECTRICA SA

Note explicative la situațiile financiare pentru exercițiul financiar încheiat la 31 decembrie 2021  
(All amounts are expressed in LEI, unless otherwise provided)

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### 1. ACTIVITY DESCRIPTION AND GENERAL INFORMATION

The main activity of CNTEE Transelectrica SA ("Company") consists in: provision of electricity transmission services and of system services, operator of the balancing market, administrator of the bonus type support scheme, other associated activities. They are performed in accordance with the provisions of operational licence 161/2000 issued by ANRE, updated by ANRE Decision 758/21.04.2021, with the General terms associated to the licence, approved by ANRE Order 104/2014, and with the final Company certification as transmission and system operator of the National Power System, according to the ownership unbundling model under ANRE Order 164/07.12.2015.

The headquarters are located in: Blvd. General Gheorghe Magheru 33, Bucharest 1. For the time being the Company's executive branch performs in the working location situated in Str. Olteni 2-4, Bucharest 3.

The stand-alone financial statements on 31 December 2021 elaborated in accordance with Order 2844/2016 of the Minister of Public Finance approving the Accounting regulations compliant with the International Financial Reporting Standards with later amendments, are available at the Company's working location in Str. Olteni 2-4, Bucharest 3.

Beginning with 2006 Company shares have been transacted on the Bucharest Stock Exchange under TEL symbol.

In accordance with the Decision of the Shareholders' General Extraordinary Assembly of 18 July 2012 the Company changed from the unilateral to the two-tier management system in order to mark clear distinction of management from control activities. Thus the Company is managed by a Directorate, under surveillance of a Supervisory Board.

#### ***Company establishment***

In accordance with Governmental Decision ("HG") 627 on reorganising the National Electricity Company SA ("Predecessor entity"), issued on 31 July 2000 by Romania's Government, it has been separated into four new entities ("Successor entities"). The single shareholder of Successor entities was the Romanian State, by means of the Ministry of Economy ("ME"). CNTEE Transelectrica SA was established after such reorganisation as joint stock company with main business of electricity transmission and dispatch, organisation and management of the electricity market.

As provided in Note 12, on 31 December 2021 the shareholders of CNTEE Transelectrica SA were: the Romanian State represented by the Secretariat General of the Government, holding 43,020,309 shares (58.69%), NN Group NV holding 4,007,688 shares (5.47%), PAVAL HOLDING having 4,753,567 shares (6.49%), other legal person shareholders holding 16,172,331 shares (22.05%) and other natural person shareholders holding 5,349,247 shares (7.30%).

In accordance with Governmental Emergency Ordinance (OUG) 68/2019 establishing certain measures for public central administration and amending and adding certain norms, published in Romania's Official Gazette 898/06.11.2019, beginning with 6 November 2019 the exercise of rights and performance of duties ensuing from the state's shareholder capacity in the National Power Grid Company Transelectrica SA is performed by the Secretariat General of the Government.

On 14.11.2019 the Central Depository SA registered the transfer of 43,020,309 shares (representing 58.69% of the share capital) issued by CNTEE Transelectrica SA from the Romanian State's account through the Ministry of Economy into the Romanian State's account represented by the Government through the Secretariat General of the Government, following application of the provisions from Governmental Emergency Ordinance 68/2019 establishing certain measures for public central administration and amending and adding certain norms.

#### ***Company mission***

The mission of the Company is to provide safe secure operation of the National Power System (SEN), while observing the norms and performance included in applicable technical regulations and provision of public services for all users of electricity transmission networks under transparent non-discriminatory balanced conditions for all market participants.

#### ***Other information regarding the Company activity***

The participation of Transmission System Operators (TSO) from Europe under ENTSO-E is regulated in the applicable European legislation (Regulation 943/2019 on the internal electricity market, reformation of Regulation 714/2009 on the network access for cross-border electricity exchanges): *"All transmission system operators cooperate at community level by means of ENTSO of electricity, with a view to promote the completion and operation of the internal electricity market and cross-zonal trade, as well as to have coordinated operation and sound technical development of the European electricity transmission network"*.

## CNTEE Transelectrica SA

Explanatory notes to the financial statements of the financial year ended on 31 December 2021  
(All amounts are expressed in LEI, unless otherwise provided)

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### 1. ACTIVITY DESCRIPTION AND GENERAL INFORMATION (*continued*)

The capacity of ENTSO-E member held by CNTEE Transelectrica SA is an essential prerequisite for its access to decision-making processes regarding the European legislation in the domain and for the defence and support of Company interests by means of activities / projects carried out within the association and the European Commission.

ENTSO-E was established in 2009 as non-profit association seated in Brussels, by clustering the European TSO associations organised according to synchronously interconnected regions (UCTE, ETSO, BALTSO, NORDEL, UKTSOA and ATSOI). Since October 2004 Transelectrica has become a partner of electricity transmission companies of all Europe as member in UCTE, ETSO association and as of 2009 it has been member of ENTSO-E, the Romanian power system being included in the Regional Group Continental Europe.

CNTEE Transelectrica SA is affiliated member in the following international organisations:

ENTSO – E - European Network of Transmission System Operators for Electricity;  
CIGRE - International Council of Large High Voltage Networks;  
LWA - International Live Work Association;

CNTEE Transelectrica SA is answerable for the safe reliable efficient operation of SEN, complying with the provisions of EU Directive 54/2003, article 9.

On 25 August 2021 the credit rating agency Moody's Investors Service published their updated credit opinion assessing the current and future capability of Transelectrica to meet its payment liabilities to creditors, granting it positive Ba1. Afterwards on 27 October 2021, given the sovereign rating improved, the rating agency issued a new credit opinion for Transelectrica, granting it stable Baa3.

Such qualification is justified by:

- (1) Low business risk due to the strategic importance and natural monopoly of Transelectrica, as fully regulated owner and operator of the electricity transmission grid;
- (2) Sound financial profile providing low indebtedness;
- (3) Permanent improvement of the regulatory framework;

In this appraisal the Company's rating is at the same level with the sovereign one (Baa3 stabil), the Company's improved financial performance and sound operational results being recognised and thus providing premises for future financing under optimum cost terms in order to carry out the assumed investments during the fourth regulatory period.

### ***Legislative environment***

Activities in the energy sector are regulated by the National Regulatory Authority in Energy ("ANRE"), public autonomous institution that is active in: elaboration, approval of and monitoring the application of all compulsory regulations nation-wide required for the operation of the electricity, heat and natural gas sector and market under efficient competitive transparent conditions, while also providing consumer protection.

ANRE has the following main attributions and competence in the sector of electricity and heat produced by cogeneration: granting, suspending or withdrawing permits and licences, elaborating and approving the tariff calculation methodologies and regulated prices, approving tariffs and regulated prices, establishing framework contracts, approving technical and commercial regulations, etc.

ANRE establishes tariffs for electricity transmission and for system services. Consequently the decisions taken by ANRE can have significant effects over Company activities.

The Company's operational activities are performed under licence 161/2000 issued by ANRE for electricity transmission and provision of system services, valid until 2025, updated by ANRE Decision 758/21.04.2021 and the General terms associated to the licence approved under ANRE Order 104/2014, with later amendments and additions.

Taking into account that Company activities and revenues are regulated by ANRE, the most important risks associated to this side are as follows:

- The regulatory framework is quite recent and undergoes permanent changes, which can impact the Company's performance;
- ANRE decisions with respect to future tariffs to be passed can impact Company activities.

**1. ACTIVITY DESCRIPTION AND GENERAL INFORMATION (continued)*****Final certification of Transelectrica as TSO for SEN, according to the ownership unbundling model***

In accordance with the provisions of the Electricity and natural gas law 123/2012, with later amendments and additions, the National Regulatory Authority in the Energy domain (ANRE) by Order 164/07.12.2015 approved the certification of the National Power Grid Company Transelectrica SA as transmission and system operator of the National Power System according to the ownership unbundling model.

The ownership unbundling model became available to the Company under Law 123/2012 on electricity and natural gas, which is transposing Directive 2009/72/EC.

ANRE Order 164/07.12.2015 accompanied by Notice C (2015) 7053 final/12.10.2015 of the European Commission as integral part of the Order, was published in Romania's Official Gazette 908/08.12.2015 and, together with its Approval report, is transmitted by ANRE to the European Commission.

This order applies the provisions of the European Union's and national's legislation with respect to the certification of the transmission and system operator.

The certification notification was transmitted to the European Union that published it in EU's Journal on 08.01.2016, in accordance with Article 10 para (2) of Directive 2009/72/EC.

***Tariffs for electricity transmission and system services***

Electricity transmission is an activity of general interest in the electricity domain, licensed and monitored by a public authority (public service), with natural monopoly nature. Tariffs charged by the Company for its transmission and system services are established and approved by ANRE (see Note 26).

2021 is the second in a series of five consecutive years constituting the fourth period of multiannual tariff regulation for electricity transmission (1 January 2020 - 31 December 2024). The main coordinates of this regulatory period were established by ANRE based on the specific regulatory framework, namely the methodology establishing the electricity transmission tariff. In comparison with the previous methodological forms based on which the tariffs were established in the previous regulatory period (1 July 2014 - 30 June 2019) and in the transition interval from the previous regulatory period to the current regulatory one (1 July 2019 - 31 December 2019), the applicable methodology setting tariffs within the fourth regulatory period has not undergone substantial changes.

As far as the fundamental aspects of the methodology are concerned (how regulated income is constituted and its main elements, recovery of operating costs, recovery and remuneration of capital invested in regulated assets, presence and nature of incentives, collection method of regulated income), they remained unchanged and thus ensured the continuity and predictability of the regulatory framework. Detailed tariff settings for the entire current multi-annual regulatory period were initially set in 2019.

Throughout 2021, in accordance with the applicable methodology, a revision of the previously approved period coordinates took place. This revision was also necessary in view of the changed tariff configuration in the sense of merging the transmission tariff with that of functional services component under system services. The merging of the two mentioned tariffs took place through the absorption in the transmission tariff of the tariff for functional services component under system services. Thus, it was necessary to revise the initial start-up settings (Regulated Asset Base) and approved cost scheduling for the regulatory period, in order to include assets and costs related to functional system services in the start-up settings and in the multiannual scheduling of the fourth regulatory period. Previously, the planning of costs related to functional system services was reviewed and annually established upon approval of the functional system services tariff, since the previous methodology did not provide the establishment and approval of a multi-annual planning for these costs.

In addition to merging the two tariffs mentioned above, in the process of revising the regulatory period coordinates, certain elements were also included which were initially approved for transmission, such as the investment plan (slightly revised downwards to correct a technical error produced in the initial establishment of the schedule - programme values were initially reported in nominal terms, and for schedule being necessary to adjust such values initially reported by extracting the estimated inflation for the regulatory period), the value of the Regulated Asset Base on 1 January 2020 (revised based on investments actually made in the second semester of 2019), the starting point and the efficiency curve required for the controllable operating and maintenance costs subject to efficiency (the starting point was revised by including the costs incurred in semester 2 2019 in the multi-annual historical average and by removing certain costs that were reclassified as uncontrollable during the fourth regulatory period from the multi-annual historical average, the efficiency curve was reduced from 1.5% to 1.0%), the forecasted electricity procurement price to cover technical losses in the transmission grid (reviewed by indexation with inflation achieved in the second semester of 2019).

**1. ACTIVITY DESCRIPTION AND GENERAL INFORMATION (continued)*****Regulated asset base ("RAB")***

The transmission tariff is determined relying, among others, on the regulated asset base. Such base includes the net value of tangible and intangible assets corresponding to the Company's private domain and the net value of assets belonging in the state public domain, fully financed from one's own sources recognised by ANRE and utilised in the provision of electricity transmission services.

In 2021 the regulated rate of return of assets for electricity transmission, expressed in actual terms before taxation, provided the following values:

- 6.39% value established in ANRE regulations and applied from 13 May to 31 December 2021.

In comparison with 6.39%, mention should be made that ANRE regulations also established an incentive for new investments made in the electricity transmission network by granting a supplement to the value of the regulated rate of return, in quantum of one percentage point. Thus, the new investments made in the electricity transmission grid in 2021 are remunerated by a regulated rate of return in total quantum of 7.39%.

At the beginning of 2021 the RAB value related to electricity transmission (after including the assets related to the functional system services following the merging of the two tariffs), established by ANRE based on the investments made by CNTEE Transelectrica SA in the third regulatory period and based on the investments made in the transitional tariff interval - second semester 2019 - has been about 2,546 million Lei. Investments made means completed investments, namely commissioned facilities and recorded as fixed assets in the Company's accounting records.

The total volume of investments approved for the fourth regulatory period is approximately 1,587 mill Lei. With regard to it, it was predicted that a part of it, in the amount of approx. 644 mill Lei and representing about 40% of the totally approved investment volume will be financed from non-reimbursable European funds and from the revenues obtained by Transelectrica from the allocation of cross-border interconnection capacity. Thus, when programming the Regulated Asset Base for the fourth regulatory period a volume of 943 mill Lei was included, representing about 60% of the totally approved investment volume, namely the part of the totally approved investment amount that is estimated not to be financed from the non-reimbursable sources mentioned above.

***Including Transelectrica in the local and international stock exchange indexes***

Beginning with 29.08.2006 the shares issued by Transelectrica have been transacted on the regulated market managed by the BVB, in category I under TEL symbol. Transelectrica shares are included in the BET index showing the development of the 10 most transacted Companies on the regulated market managed by BVB, excluding the financial investment companies (SIF-s).

Transelectrica has been also included in the local stock exchange indexes BET-XT, BET-NG, BET-XT-TR, BET-TR, BET-BK, BET-TRN, BET-XT-TRN, and BET BETPlus.

From 5 January 2015 onward the Company has been included in the Premium category of the regulated market managed by BVB.

***Company revenues***

The main activities that generate revenues for the Company are represented by the provision of the following services:

- Electricity transmission services;
- System services (technical operational running of SEN);
- Operator of the balancing market.

***Electricity transmission services***

Transmission services consist in secured transmission of electricity under efficient safe conditions between two or more points of the electricity transmission grid ("RET"), while observing the applicable performance standards.

The Company provides non-discriminatory regulated access of all participants on the electricity market. Transmission activities are carried out by means of eight territorial transmission units seated in: Bucharest, Bacau, Cluj, Craiova, Constanta, Pitesti, Sibiu and Timisoara.

Electricity transmission activities performed by Transelectrica consist in providing technical conditions and maintaining RET parameters when electricity is injected into / taken from RET.

## **CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

(All amounts are expressed in LEI, unless otherwise provided)

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### **1. ACTIVITY DESCRIPTION AND GENERAL INFORMATION (continued)**

#### ***System services***

The Company has the task to permanently maintain the national power system in operation under safe conditions while observing the quality standards provided in the technical code of the electricity transmission grid. To this effect the Company uses its own sources called functional system services and procures technological system services from electricity producers. CNTEE Transelectrica SA provides such services by using dispatcher management systems based on a tariff regulated and approved by ANRE, which is applied to the same base - electricity delivered to consumers - and it includes the system service tariff.

*Technological system services* are procured from producers in accordance with a competitive procedure regulated by ANRE, upon request of CNTEE Transelectrica SA in order to maintain the safe operation of SEN and the quality of transmitted electricity, at parameters provided in applicable legislation. CNTEE Transelectrica SA re-invoices the entire value of system services procured from producers (except for the active power component to cover RET losses) to electricity suppliers licensed by ANRE as they benefit of such services in the end.

*Functional system services* refer to dispatching services provided by CNTEE Transelectrica SA consisting in the operational planning and management of SEN, as well as the other activities performed by CNTEE Transelectrica SA with a view to balance the output with load in real time with a view to safely cover electricity consumption by least costs while maintaining the safe operation of SEN.

#### ***Operator of the balancing market***

In accordance with the provisions of the Commercial Code of the wholesale electricity market, approved by Order 25/22 October 2004 of ANRE president, the balancing market has been introduced and began operating in Romania as of July 2005.

Beginning with 01.09.2018 the balancing market operation is regulated by the Regulation to calculate and settle imbalances of balancing responsible parties and the Regulation on the operation and settlement of the balancing market approved by ANRE Order 31/31.01.2018, published in Romania's Official Gazette 166 bis/ 22.02.2018.

From 01 September 2020 the balancing market operation has been regulated by:

- Regulation on the operation and settlement of the balancing market, approved by Order 61/31.03.2020 of ANRE president, published in Romania's Official Gazette 287/06.04.2020;
- Regulation scheduling dispatchable generators, dispatchable consumers and dispatchable storage installations, approved by Order 61/31.03.2020 of ANRE president, published in Romania's Official Gazette 287/06.04.2020;
- Regulation to calculate and settle imbalances of balancing responsible parties - single imbalance price and amending certain orders of the president of the National Regulatory Authority in Energy approved by Order 213 / 25 November 2020 of ANRE president, published in the Official Gazette 1201 of 9 December 2020, with later amendments and addition;

The purpose of this market is to provide a balanced electricity generation - consumption in real time, using the resources provided under a competitive system.

CNTEE Transelectrica SA is the operator of the balancing market that, based on ANRE-approved procedures and regulations should approve the registration of licence holders participating on the national electricity market, and also collect, verify and process all offers and apply settlement procedures.

#### ***High efficiency cogeneration***

Beginning with 1 April 2011 CNTEE Transelectrica SA has been the administrator of the support scheme to promote high efficiency cogeneration. The objective of such support scheme is to promote electricity production systems under high efficiency cogeneration, having the benefit of electricity generated with low pollutant emissions. The purpose is to facilitate market access of systems producing under high efficiency cogeneration by providing a cogeneration bonus, since the costs of electricity and heat production in cogeneration power plants are higher than the market prices of the two forms of energy. The scheme is dedicated to the electricity and heat producers that hold or commercially operate high efficiency cogeneration plants with a view to stimulate new investments into such cogeneration systems and to refurbish existing plants. The actual application of the support scheme in Romania occurred on 1 April 2011, when the National Regulatory Authority in Energy (ANRE) issued the regulatory framework necessary in the application of such scheme.

The support scheme to promote high efficiency cogeneration represents one of the mechanisms developed in the European Union (EU) in order to enable each member state to reach the targets of reducing greenhouse gas emissions (by reducing the amount of primary energy necessary to generate the same quantities of processed energy - electricity and heat - compared to distinct generation).



**1. ACTIVITY DESCRIPTION AND GENERAL INFORMATION (continued)**

The bonus type support scheme was instituted in Romania by HG 219/2007 promoting cogeneration based on useful thermal power (transposing EC Directive 8/2004) implemented by HG 1215/2009 establishing the criteria and conditions necessary to implement the support scheme to promote high efficiency cogeneration based on the demand of useful heat, for electricity generators with installed capacity above 1 MW.

The support mechanism was endorsed by European Commission Decision C(2009)7085, amended by Decision C(2016)7522 final. In accordance with such decisions the state aid is operation type, with a view to cover the difference between costs and revenues of electricity and heat produced under high efficiency cogeneration, providing profitability of maximum 9%.

The bonus type support scheme is thus meant to sustain and promote electricity and heat production systems under high efficiency cogeneration, thus stimulating new investments into cogeneration technologies and replacement / refurbishment of existing installations.

The scheme is applied to electricity and heat producers under cogeneration that requested ANRE to grant them the bonus for electricity produced under high efficiency cogeneration and delivered into SEN, for the cogeneration capacities included in the list of electricity and heat producers with high efficiency cogeneration until 31 December 2016. Producers thus benefit of the support scheme for maximum 11 consecutive years but not beyond 2023, year-end when the scheme is over. The bonus is provided upon request and it represents the (Lei) quantum that generators receive for each MWh produced under high efficiency cogeneration and delivered into SEN networks, and as such is annually established by ANRE and calculated as the difference between total production costs of an equivalent cogeneration plant providing also high efficiency electricity output and the revenues that can be obtained by such plant using the market price of electricity, namely the unit cost of heat resulting for an equivalent thermal power plant, difference compared with the electricity delivered into SEN by the cogeneration plant.

Governmental Decision 1215/2009 establishes the legal framework in accordance with the European Union's regulations, as necessary to implement the bonus type support scheme to promote high efficiency cogeneration based on the useful heat demand, with a view to cover the difference between the electricity production cost under high efficiency cogeneration and its market sale price. ANRE has approved the values of reference bonuses per mega-watt hour of electricity produced and delivered into the network from high efficiency cogeneration plants. The support scheme beneficiaries are the producers that comply with certain criteria established by ANRE.

In accordance with the provisions of article 14 from Governmental Decision 1215/2009 CNTEE Transelectrica SA has been designated as responsible for the administration of the support scheme. The main attributions of the Company in its capacity of administrator of such support scheme are represented by: collection of contributions from the suppliers of electricity consumers in a bank account distinct from basic business, and paying the bonus to electricity and heat producers under high efficiency cogeneration; concluding contracts with suppliers for the collection of contributions and with the producers that will benefit from the scheme; checking the amount of the collected contribution; issuing invoices to suppliers; returning the contribution for high efficiency cogeneration to the suppliers that introduce in Romania electricity produced under high efficiency cogeneration in other member states of the European Union; monitoring and reporting to ANRE the manner in which the support scheme is managed.

The Company is also acting as state agent in the monthly collection of cogeneration contributions and monthly payment of bonuses and under such circumstances the operations associated to such support scheme do not influence the revenue and expense accounts, except for one's own administration expenses recognised by ANRE to carry on the support scheme, which are self-invoiced.

On 08.12.2016 Governmental Decision 925 amended and added HG 1215/2009 establishing the criteria and conditions necessary to implement the bonus type support scheme to promote high efficiency cogeneration based on the useful heat demand. The main amendments related to the following issues:

- To receive the bonus generators are obliged to be free of liabilities towards the support scheme administrator or they should conclude agreements compensating liabilities and trade receivables;
- Overcompensation is recovered in accordance with the national and European Union legislation in the state aid domain;
- Overcompensation / undue bonus remaining unpaid by the producers, which all legal steps have been made for will be recovered by including the amount into the cogeneration contribution, according to the ANRE-issued methodology;
- ANRE decisions on the overcompensation quantum and/or undue bonus are compulsory for generators and are applied in view of recovery, by the support scheme administrator's issuing a decision according to the applicable state aid legislation;
- The support scheme's financial closure will take place in the first semester of 2024, in accordance with the regulatory framework elaborated by ANRE.

Until the date of these stand-alone financial statements ANRE has not approved the regulatory framework for the financial closure of the scheme according to pt. 11 of Governmental Decision 925/2016 amending and adding Governmental Decision 1215/2009 establishing the criteria and conditions necessary to implement the bonus type support scheme to promote high efficiency cogeneration based on the useful heat demand. In December 2021 ANRE subjected to public consultation a draft methodology for the financial closure of this scheme.

**1. ACTIVITY DESCRIPTION AND GENERAL INFORMATION (continued)**

HG 129/2017 adding article 8 of Governmental Decision provides the cogeneration bonus under the current support scheme can be granted for maximum 11 consecutive years, but not beyond 2023.

HG 846/2018 amending and adding Governmental Decision 1215/2009 provides half-yearly adjustment of reference bonuses and prices for heat, while the values approved for the following year are also applied in November-December of the current year (in comparison with the previous situation when reference bonuses were approved annually). Thus beginning with 2019 overcompensation will be analysed using the orders approving the amounts of reference bonuses for electricity produced under high efficiency cogeneration and the reference prices of electricity and heat produced under cogeneration, orders issued by ANRE for several time intervals (January – June, July – October, November – December).

At the same time in accordance with the information published in December 2021 the European Commission approved the amendment made by Romanian authorities in the scheme supporting electricity produced under high efficiency cogeneration. The main changes consist in extending the support period to 21 years (latest 2033) and in doubling the scheme budget from about 2.2 billion Euro (approximately 10,735 billion Lei) to about 4.4 billion Euro (21,883 billion Lei) in order to cover the additional interval when a power plant can receive support.

***Price-coupling mechanism of electricity markets***

This price coupling mechanism was applied beginning with 19 November 2014, date when the ‘4 Markets Market Coupling’ project providing connection of the day-ahead electricity markets (DAM) from Romania, Hungary, Czech Republic and Slovakia became operational.

On 17 June 2021 the Interim Coupling (ICP) project was launched, which represents day-ahead markets coupling of the 4MMC countries with the markets of Poland, Austria and Germany.

On 27 October 2021 the Bulgarian-Romanian border was integrated in the single day-ahead markets coupling (SDAC - Single Day-Ahead Coupling).

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

The single intraday markets coupling mechanism provides uninterrupted harmonisation of sale and purchase offers from market participants of a bidding zone with the sale and purchase offers within their own bidding zone and from any other bidding zone where cross-border capacity is available.

In terms of the internal regulatory framework, the roles and responsibilities of involved operators, CNTEE Transelectrica SA and OPCOM SA, as well as the operations performed under markets coupling are provided in the Regulation regarding the organisation and operation of the intraday electricity market, while observing the price-coupling mechanism of markets and the amendment of certain norms regulating the day-ahead electricity market, approved by ANRE Order 82/2014 (Regulation).

The target model of the day-ahead market, based on the price-coupling of regions, PCR uses a single algorithm correlating offers and establishing the price.

In case coupling is not possible under the ICP market the TSO-s of the respective countries (Romania, Hungary, Czech Republic and Slovakia) apply the fallback procedures, whereby the cross-border capacity is allocated.

Article 138 of this Regulation provides for post-coupling that Transmission System Operators (TSO) have the role of transfer agents for the electricity resulting from the coupling algorithm as being transferred between two adjacent bidding zones.

Under this price-coupling mechanism of the day-ahead markets the electricity exchanges correlate, based on bids, the electricity transactions of the next day depending on the interconnection capacity provided by the TSO which also achieves its implicit allocation.

CNTEE Transelectrica SA, in its capacity of TSO, transfers electricity both in physical and in commercial terms to the neighbouring TSO-s (MAVIR – Hungary and IBEX – Bulgaria) and manages congestion revenues on such interconnection associated to the DAM (article 139 of ANRE Order 82/2014), and in relation to OPCOM SA it is Implicit Participant on the Day-Ahead Market and on the Intraday Market (PI).

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

Thus, under the price-coupling mechanism of regional markets CNTEE Transelectrica SA:

- Performs the implicit participant role on the DAM & PI and has the capacity of transfer agent;
- Provides the interconnection capacity for daily delivery of the electricity transacted on the DAM and PI, namely electricity passing from one bidding zone to another through interconnection lines, being limited by their available transfer capacity.

Revenues recorded from congestions are monthly shared between transmission system operators, and exchange rate differences are withheld or provided by TSO-s.

Company-wide it was approved that transactions associated to the price-coupling mechanism of regional markets should not impact the revenue and expense accounts, except for revenues from congestion management on interconnection lines, revenues / expenses with exchange rate differences and expenses with bank fees resulting from the settlement of transactions, which the Company provides as transfer agent.

## **2. BASES OF ELABORATION**

### **Statement of conformity**

These stand-alone financial statements ("financial statements") have been elaborated in accordance with Order 2844/2016 of the Minister of Public Finance approving the Accounting Regulations compliant with the International Financial Reporting Standards ("OMFP 2844/2016"), with later amendments and additions. In accordance with Order 2844/2016, the International Financial Reporting Standards represent standards adopted according to the procedure provided by the Commission Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002 regarding application of international accounting standards ("IFRS UE").

The Company applies the International Financial Reporting Standards adopted by the European Union in its elaboration of 2021 stand-alone financial statements according to OMFP 881/2012, with later amendments and additions.

### **Bases of assessment**

The financial statements have been elaborated with historical costs, except for tangible assets, others than tangible assets underway, which are assessed at revalued amount, while liabilities associated to payment arrangements based on share payment to be settled in cash are assessed at fair value.

### **Functional and presentation currency**

Financial statements are provided in Romanian LEI ("LEI" or "RON") according to applicable accounting regulations, this being also the Company's functional currency.

### **Utilising estimations and reasonings**

The elaboration of financial statements in accordance with IFRS UE means the management use professional reasoning, estimations and assumptions impacting the application of accounting policies, and the recognised value of assets, liabilities, revenues and expenses, assumptions regarding the fair value (see Note 4), commitments and contingencies (see Note 26), regarding recognition of non-returnable funds to receive (see Note 13 - Deferred revenues), regarding allowances for receivables (see Note 9), the liabilities related to transactions paid using share payment to be settled in cash (Note 29) and regarding the liabilities of determined benefit plans (Note 15).

Actual results can be different from estimated values. Estimations and assumptions are periodically reviewed. The reviews of accounting estimations are recognised during the interval when estimations are reviewed, and in the future period influenced.

The information with respect to assumptions and estimations involving significant uncertainties are included in the following notes:

- Note 13 - Company's management estimation about there being reasonable assurance conditions attached to non-returnable funds will be fulfilled and funds will be received;
- Note 15 - assessing the liabilities related to the determined benefit plans;
- Note 26 - recognition and assessment of provisions, commitments and contingencies; key assumptions regarding the probability and extent of resource output;
- Note 29 - assessing the liabilities regarding transactions paid using share payment to be settled in cash.

The information regarding the accounting policy reasoning with respect to service concession agreements are provided in the following paragraphs.

The Company (concessionaire) concluded in 2004 a concession contract with the Ministry of Economy (conceder) according to which the Company is entitled to use public domain assets including the electricity transmission network and the lands it is located on, in exchange for electricity transmission services (see Note 3 - b).

Given that most Company shares are held by the State, the Company management consider this is public Company and therefore is not touched by the provisions of IFRIC 12 "Service concession agreements".

## CNTEE Transelectrica SA

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

Taking into account there is no other international financial reporting standard specific for service concession agreements, the Company considered whether it will however apply IFRIC 12, based on the hierarchy mentioned in SIC 8 "Accounting policies, changes of accounting estimations and errors", which provides taking into account the provisions of other IFRS-s addressing similar issues.

Thus, when analysing the application of IFRIC 12 the Company considered whether the following characteristics of public-private service concession agreements are applicable to the concession contract concluded with the ME, on the date when IFRIC 12 should be adopted:

- The conceder controls or regulates the kind of services the concessionaire should provide for the infrastructure, to whom and at what price;
- The conceder controls - by means of the property right, the benefit right or otherwise - any significant residual interest in the infrastructure at the end of the agreement term: 49 years;
- The contractual terms would include the same provisions if the agreement were concluded with a private Company.

The analysis of characteristics of public-private service concession agreements provided the following:

- The Company-provided services are regulated by ANRE, consequently the Conceder – specific Ministry – does not control and does not regulate the kind of services the Company should provide;
- At the end of the contractual term the residual interest in the infrastructure is almost zero, most assets from the state's public domain being fully amortised;
- At present there are no similar contracts, the Company holding monopoly position for electricity transmission.

The Company concluded the bookkeeping for the concession contract according to the provisions of IFRIC 12 will not influence the economic substance of the transaction since the Company pays annual tax as royalty for the use of fore-mentioned assets in the concession contract, amounting to 1/1000 of the annual revenue achieved from electricity transmission, calculated depending on the actually transmitted quantity (by 11 November 2020), namely 4/1000 of the amount of gross revenues achieved from electricity transmission and transit operations through the national transmission systems found under state public property (beginning with 12 November 2020), tax which is significantly lower than the amortisement the Company would have recorded for such assets if the concession contract had not been signed.

Consequently IFRIC 12 is not applicable, and the Company has applied the accounting policies s described in Note 3, items a) and b).

### 3. ACCOUNTING POLICIES

The accounting policies detailed below have been consistently applied in all time periods provided in these financial statements, except for those of note 3 letter (x), which provides the amendments of accounting policies.

#### (a) Tangible assets

##### *One's own assets*

Tangible assets, except for tangible assets underway, are provided at revaluated value, less the amortisement cumulated and losses cumulated from depreciation. Tangible assets underway are provided at cost. The cost of assets manufactured by the company includes the cost of materials, of direct salaries, the initial estimation and, if need be, the disassembling costs, elements moving and location recovery, as well as a quota of indirect expenses.

##### *Recognition*

Initially, tangible assets are valued at cost.

Such cost includes expenses directly attributable to asset procurement. The cost of assets built by the entity includes:

- Cost of materials and direct personnel expenses;
- Other costs directly attributable to assets transportation to the place and change into the condition necessary / state required for the foreseen utilisation;
- Costs of capitalised indebtedness.

Impairment allowances are registered for unused assets, or for worn-out assets.

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### Later expenses

In the accounting value of a tangible asset element the Company recognises the cost of replacing a part of an asset element if, when the cost is made it is probable future economic benefits will be generated to the Company from such element and the element cost can be assessed credibly.

All the other costs are recognised in the profit and loss account when they are made.

### Amortisement

Tangible assets are amortised using the linear method, during their lifetime as follows:

	<b>Normal operational period (years)</b>
Special buildings and installations	40-60
Outfits and equipment	15-40
Measuring and control apparatuses	7-12
Vehicles	5-8
Other tangible assets	3-5

Lands are not amortised. Whenever the elements of a tangible asset have different lifetimes, they are registered as separate elements (major components) of an asset. Asset amortisement methods, useful lives and residual values are reviewed every time and adjusted, if need be.

### Revaluation

The Company chose submitting tangible assets at revaluated value, except for down payments and tangible assets under execution, which are provided at historical cost.

Revaluations are made by independent valuator experts at sufficiently regular intervals so the accounting amount should not differ significantly from the value which can be determined using the fair value on the report date.

### (b) Public domain

In accordance with the provisionis of Law 123/2012, with later amendments and additions, the electricity transmission network existent on Romania's territory is the state's public property.

Governmental Decision 627/2000 establishes in annex 8 the inventory of real estates making up the state's public domain taken into the Company's administration as of 1 August 2000, which are registered and updated as needed by means of legislative deed (HG).

In accordance with the provisionis of Law 213/1998 and of Law 219/1998, the Ministry of Economy concede in the state's name to the Company the transmission network (high voltage electric lines and substations) as well as the lands it is located on. Thus, on 29 June 2004 concession contract 1 was concluded between the Ministry of Economy and Company for all tangible asses of the public domain, on balance on 31 December 2003 for 49 years.

Following signature of the concession contract with the Ministry of Economy on behalf of the Romanian State on 29 June 2004, the relationship between the former and the Company changed and consequently, the Company proceded to derecognising the assets of the public domain, including the public inventory reserve of its own shareholders' equities. After conclusion of the concession contract the Company treats the assets it has utilisation right on as operational leasing. The Company recognises the payments associated to the concession contract (royalty) as expenses in the profit and loss account, during the year.

Concession contract 1/2004 was published in Romania's Official Gazette 298 bis of 30 April 2015. Seven addendums were concluded to the concession contract from 2005 to 2013.

Taking into account the provisions of Governmental Decision 1009/2012 and of Governmental Decision 984/2012 approving amendments of Annex 7 to Governmental Decision 1705/2006 approving the centralised inventory of assets from the state's public domain given in concession to the Company, on 14.02.2013 addendum 7 to the Concession Contract 1/29.06.2004 was concluded with the Ministry of Economy following the inventory of assets from the state's public domain in 2012 and the revaluation/valuation of such assets.

Governmental Decision 1032 of 11 December 2013, published in Romania's Official Gazette 22 of 13 January 2014 cancelled the amendment and addition of annex 7 to Governmental Decision 1705/2006 approving the centralised inventory of assets from the state's public domain, as a result of such inventory of assets belonging in the state's public domain in 2012.

Governmental Decision 615 of 05 September 2019, published in Romania's Official Gazette 730 bis 2019, approved the amendment and addition of annex 7 to Governmental Decision 1705/2006 approving the centralised inventory of assets from

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the state's public domain, as a result of such inventory of assets belonging in the state's public domain in 2017 for 2013-2017, but to date addendum 8 to the Concession Contract 1/2004 has not been concluded.

The main terms of the concession contract are as follows:

- ✓ The Ministry of Economy has got the property title over the assets included in the contract;
- ✓ The Company is entitled to use such assets for 49 years from 1 June 2004 until 31 May 2053;
- ✓ The annual tax the Company pays as royalty for the utilisation of such assets is established by ME and represents 1/1000 of the revenues achieved from electricity transmission for the quantity actually transmission;
- ✓ Assets will go into ME's property when the contract is terminated or expires; the contract can be one-sidedly terminated by any of the parties;
- ✓ The Company is obliged to use the assets in accordance with the provisions of the concession contract and of the operational licence.

Beginning with 12 November 2020 Electricity law 123/2012 was amended and added, which in article 19, para (1<sup>^</sup>1) provides: *"the annual royalty under the concession in the electricity transmission domain is 0.4% of the gross revenues amount achieved from electricity transmission and transit and is paid by the transmission system operator in its capacity of concessionaire"*.

The tax paid by the Company according to the concession contract and the Electricity law 123/2012, with later amendments and additions, for 1 January – 31 December 2020 is significantly lower than the amortisement the Company would have recorded if such contract did not exist. Nevertheless, the Company has not registered any amount of such possible benefit in the financial statements because it cannot estimate which is the sum paid for the utilisation of such assets by a third party under a transaction with objectively determined price.

The investments made by the Company from its own financing sources in the assets under the concession assets are capitalised and amortised during the remaining lifetime of such assets. When the investment amortisement is recovered they will be included in the inventory of assets from the state's public domain.

In case of goods representing completed assets made from one's financing sources, they will be included in the inventory of the state's public domain after recovering the investment amortisement, namely upon normal expiry of utilisation time, of the concession or rental contract according to applicable legal provisions, based on a norm passed in this respect.

### (c) Intangible assets

Intangible assets procured by the Company are presented at cost less cumulated amortisement and losses from the depreciation of intangible assets. Amortisement is recognised in the profit and loss account based on the linear method during the estimated life of intangible assets. Most intangible assets registered by the Company are represented by intangible assets underway and dedicated IT software. They are amortised for 3 years using the linear method.

Asset amortisement methods and useful lifetimes are reviewed on every reporting date and adjusted if necessary.

### Later expenses

Later expenses are capitalised only if it is probable the Company will generate future economic benefits associated to later expenses.

### (d) Hard currency transactions

They are expressed in LEI by applying the exchange rate of the transaction date. Monetary assets and liabilities expressed in hard currency at year end are expressed in LEI at the exchange rate of such date. Gains and losses from exchange rate differences, realised or unrealised, are recorded in the profit and loss account of the respective financial year. Exchange rates on 31 December 2021 and on 31 December 2020 were as follows:

Currency	31 December 2021	31 December 2020
1 EUR	4.9481	4.8694
1 USD	4.3707	3.9660

Non-monetary assets and liabilities expressed in foreign currency are assessed at fair value at the exchange rate on the date when the transaction was concluded.

### (e) Receivables

Trade receivables are initially registered at fair value and later on they are assessed using the actual interest, less value losses. The value loss is recognised when there is clear evidence receivables cannot be collected on the established date. The debtor's significant financial difficulties, the likelihood that he can go bankrupt or under financial reorganisation, payment delays (beyond 180 days) are considered clues that such receivables might need value allowances.

A value loss associated to an asset is the difference between its book value and the fair value of forecasted future cash flows updated using the initial actual interest rate of such asset. The book value is reduced by using a value loss account, and the loss is recorded in the profit and loss account under "Other operational expenses".

**(f) Inventories**

They consist of:

- Raw materials, other materials, and spare parts which do not comply with the definition of tangible assets and of other consumables to be used in the Company's basic business;
- Security and intervention inventories dedicated to fast remedial of defects occurred to RET installations with a view to provide SEN's operational security. Such materials are registered as inventories upon their procurement and are recorded for expense on the consumption date or they are capitalised, as applicable.

Inventories are valued at the lowest amount between cost and the net achievable value. The cost of consumed inventories is determined using the FIFO method and includes procurement expenses. The net achievable value is the sale price estimated during normal activity minus costs estimated for completion, if any, and the sale-associated costs.

The Company's policy consists in recording 100% value loss for inventories beyond 365 days, which will no longer be used in the future.

**(g) Cash and cash equivalents**

This includes cash desk, current accounts and bank deposits with initial maturity up to 3 months, which are subject to insignificant risk of fair value change.

**(h) Revaluation reserves**

After being recognised as asset an element of tangible assets with fair value that can be assessed in reliable mode is recorded into account books at revaluated amount, which is its fair value on the revaluation date less any amortisement cumulated later and any losses cumulated from depreciation. Revaluations are performed at sufficiently regular intervals to provide accounting value without significant difference from what might have been determined by using the fair value on the balance date.

In case the book value of an asset is indexed upon some revaluation, such indexation is directly recorded in revaluation reserves of shareholders' equities. Nevertheless, the indexation is recognised in the profit or loss account to the extent in which it compensates a decrease from the revaluation of the same asset previously recognised in the profit or loss account.

In case the book value of a tangible asset is diminished after revaluation, such reduction is recognised in the profit or loss account. Nevertheless, the decrease is made by reducing the revaluation reserves, to the extent in which there is creditor balance in the revaluation surplus for such tangible asset.

The revaluation reserve included in shareholders' equities associated to a tangible asset element is directly transferred into retained earnings as such revaluated tangible asset is amortised and when it is derecognised.

Beginning with 1 May 2009 the revaluation reserves of tangible assets, lands included, performed after 1 January 2004, which are deducted when calculating taxable profit by means of fiscal amortisement or by expenses regarding yielded and/or dismantled assets are taxed at the same time with the deduction of fiscal amortisement, namely when such non-current assets are discharged from management, as applicable.

The Company registered deferred tax regarding revaluation reserves of non-current assets, including lands, performed after 1 January 2004.

Revaluation reserves of tangible assets, including lands, made until 31 December 2003, and the revaluation portion performed after 1 January 2004 pertaining to the time interval by 30 April 2009 will not be taxed when transferred into retained earnings.

The Company did not register deferred tax for the liability regarding revaluation of non-current assets, lands included, made until 31 December 2003.

Revaluation reserves of tangible assets are taxable in the future in case of changed destination of reserves in any form, in case of Company liquidation, merger including its utilisation to cover accounting losses, except for the transfer after 1 May 2009 of reserves related to valuations made after 1 January 2004 into retained earnings, which are taxable at the same time with fiscal amortisement deduction.

**(i) Depreciation of non-financial assets**

Book values of the Company's non-financial assets, others than inventories and receivables regarding deferred tax are reviewed on every report date in order to determine whether there is proof of depreciation. A depreciation loss is recognised if the book value of an asset or of a cash generator exceeds the estimated recoverable amount.

The recoverable value of an asset or cash generating unit is the maximum between the utilisation value and the fair value minus sale costs. When determining the utilisation value the forecasted future cash flows are updated in order to determine the fair value, using an update rate before taxation which mirrors the market's current valuation of the time value of money and asset specific risks.

To test depreciation, assets which cannot be tested individually are put to the smallest asset group which generate cash entries from continuous utilisation and are largely independent of cash entries generated by other assets or asset groups ("cash generating unit").

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Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

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Depreciation losses are recognised in the profit or loss account. Such depreciation losses recognised for cash generating units are allocated with priority to reduce the book value of the commercial fund allocated to cash generating units (group of cash generating units), if applicable, and then pro rata to reduce the book value of the other assets within the cash generating unit (group of cash generating units).

A depreciation loss of the commercial fund is not resumed. In case of the other assets, the depreciation loss is resumed only to the extent to which the asset's book value does not exceed the book value which could have been determined, net of amortisement, if no depreciation had been recognised.

### **(j) Share capital**

Ordinary shares are classified as part of shareholders' equities. Additional costs directly attributable to the issuance of ordinary shares and share options are recognised as shareholders' equities reduction to value net of fiscal effects.

### **(k) Dividends**

Dividends are recognised as liability when the shareholder's right to receive payment is established.

### **(l) Trade and other liabilities**

Liabilities to suppliers and other liabilities are registered at amortised cost and include the amount of invoices issued by the suppliers of products, executed work and provided services.

### **(m) Interest-bearing loans**

Borrowings are initially recognised at fair value, net of transaction costs. After initial recognition loans are registered at amortised cost, any difference between cost and the repayment value being recognised in the profit and loss account, based on the actual interest rate.

### **(n) Recognition and derecognition of non-derived financial instruments**

#### ***Non-derived financial assets***

The Company initially recognises receivables on the date they were initiated. All the other financial assets are initially recognised on the transaction date, when the Company becomes part of the instrument's contractual conditions.

The Company derecognises a financial asset when contractual rights over the cash flows generated by such asset expire or when the collection rights over the financial asset's contractual cash flows are transferred by means of a transaction whereby the risks and benefits of the property right over such financial asset are significantly transferred. Any interest in the financial asset transferred, which is created or kept by the Company is recognised separately as asset or liability.

Financial assets and liabilities are compensated, and the financial position statement provides the net value only when the Company has the legal right to compensate values and intends either to settle them in the net base or to achieve the asset and simultaneously extinguish the liability.

The Company's non-derived financial assets are mainly represented by trade and other receivables and by cash and cash equivalents.

#### ***Non-derived financial liabilities***

The Company initially recognises liability instruments issued and subordinated liabilities on their initiation date. All the other liabilities (including those designated at fair value by the profit or loss account) are initially recognised on the transaction date, when the Company becomes part of the instrument's contractual conditions.

The Company derecognises a financial liability when contractual obligations have been paid or cancelled or expire.

The Company classifies non-derived financial liabilities into the category of other financial liabilities. They are recognised initially at fair value minus any directly attributable transaction costs. After the initial recognition such financial liabilities are valued at amortised cost, using the actual interest method.

Other non-derived financial liabilities include loans, trade and other liabilities.

### **(o) Income tax**

This expense comprises the current and the deferred tax. The current and the deferred taxes are recognised in the profit or loss account, except when they pertain to enterprise mix or to elements directly recognised in shareholders' equities or in other comprehensive result items.

### **(i) Current tax**



It represents the tax expected to be paid or received for the fiscal gain or loss achieved during the current year, using taxation quotas adopted or largely adopted on the report date, and any allowance regarding income tax payment liabilities from previous years. The current payable income tax also includes the tax on stated dividends owed.

**(ii) Deferred tax**

This is recognised for temporary differences occurring between the book value of assets and liabilities used for financial reporting and the fiscal base used in order to calculate the tax.

Deferred tax is not recognised for:

- Temporary differences occurring upon the initial recognition of assets and liabilities resulting from transactions which are not enterprises mix and which do not impact the accounting or fiscal gain or loss;
- Temporary differences occurring from investments made into subsidiaries or jointly controlled entities, to the extent in which it is likely they are not resumed in the predictable future; and
- Temporary differences resulting upon initial recognition of the commercial fund;

The valuation of deferred tax mirrors the fiscal consequence which would ensue from the manner in which the Company expects to recover or to settle such book value of its assets and liabilities, at the end of the reporting period.

Deferred tax is calculated using the taxable quotas forecasted to be applicable to temporary differences when they are resumed, based on the legislation adopted or under adoption on the report date.

Receivables and liabilities from deferred tax are compensated only in case there is legal right to compensate liabilities and receivables with the current tax and if they pertain to taxes charged by the same fiscal authority for the same entity subject to taxation or for different fiscal entities, which intend to settle receivables and liabilities with the current tax on net base, or whose taxation assets and liabilities will be achieved simultaneously.

A deferred tax receivable is recognised for unused fiscal losses, fiscal credits and deductible temporary differences only to the extent to which future taxable profits are likely to achieve in order to be used in the coverage of fiscal loss. Deferred tax receivables are reviewed on each report date and are diminished to the extent in which the related benefit is not likely to achieve any more.

**(iii) Exposure with respect to the income tax**

The Company considers uncertain the impact of taxes and whether additional taxes and interests can be owed when determining the amount of the current and deferred taxes. Such assessment relies on estimations and assumptions and can involve a series of professional reasoning on future events. New information can become available, which determines the Company to change its professional reasoning with respect to the adequacy of existent fiscal liabilities; such changes of fiscal liabilities can impact the income tax expense during the time making such determination.

**(p) Employees' benefits*****Other long-term employees' benefits***

The Company's net liability with respect to long-term benefits granted to employees, other than pension plans, is the amount of future benefits which the employees gained in exchange of services provided during the current and previous periods. Such benefit is updated in order to determine its fair value, and the fair value of any related asset is deducted. These benefits are estimated using the designed credit factor. Any actuarial gains or losses are recognised in other comprehensive result items during the interval they occur in. Other long-term employee benefits are represented by jubilee awards.

***Transactions with share payment to be settled in cash***

The fair value of the liability to employees with respect to the rights regarding appreciation of shares settled in cash is recognised as expense in correspondence to liability increase during the time period when employees obtained the unconditioned payment right. Until liability settlement the Company should revalue the fair liability value on each reporting date and on settlement date, any changes in the fair value being recognised in the period's profit and loss account.

The Company recognises the services received and liability for such services, as the employees provide the services. Certain rights regarding shares appreciation apply immediately and consequently employees are not asked to complete a specific service period to be entitled to cash payment. In such cases the Company recognises the entire award amount as expense on its granting date.

***Short-term employees' benefits***

Liabilities regarding short term employee benefits are valued against non-updated base and are recognised as expenses as services are provided. A provision is recognised at value estimated to be paid for short-term benefits as premiums or as

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(All amounts are expressed in LEI, unless otherwise provided)

employees' participation to profit, only in case the Company has the present legal or implicit obligation to pay such amount for past services provided by employees, and such obligation can be estimated. Short-term employee benefits are mainly represented by their salaries.

During normal activities the Company makes payments into the pension fund on behalf of employees. All Company employees are members in the Romanian State's pension plan. Such payments are passed as expenses as long as employees provide the services.

### (q) Revenues

Revenue is recognised when the significant risks and benefits have been transferred to the buyer, economic benefits are probable and associated costs can be accurately estimated. Revenues consist in the main of transmission service, system service and balancing market revenues calculated depending on the volume of electricity delivered to consumers. Transmission and system service tariffs are regulated by ANRE. Revenues also include the transaction amounts on the balancing market, as shown in Note 1.

The Romanian State by ANRE regulates the tariffs charged by the Company for electricity transmission and system operation services. The Romanian State carries out several roles besides being majority shareholder and consequently could have more comprehensive objectives and purposes than an investor with the main interest of investment profitability.

As mentioned in Note 1 the Company is also administrator of the bonus-type support scheme to support high efficiency cogeneration. The Company acts as agent because it is involved in money collection and distribution.

Also, the Company and OPCOM SA are involved in the price-coupling of regional markets based on ANRE Order 82/2014 (see Note 1).

Thus, under the price-coupling mechanism of regional markets CNTEE Transelectrica SA:

- Is implicit participant on the DAM and PI and has the capacity of transfer agent;
- Provides the interconnection capacity for physical delivery of electricity transacted on the DAM and PI, namely passing the electricity from one bidding zone to another by means of interconnection lines, being limited by their available transfer capacity.

### Connection fees

IFRIC 18 "Transfers of assets from clients" is applied to contracts concluded with clients where the Company collects the monetary availabilities of a client when such monetary availability should be used only to build or procure a tangible asset element, and the Company should then use such tangible asset to connect clients to the grid.

The electricity and natural gas law 123/2012, with later amendments and additions, provides in article 25 para (1) as follows: *"...The connection to electricity networks of public interest and access to electricity grids of public interest represents compulsory services under regulated conditions, which the transmission system operator and the distribution operator should provide, including the energy communities of citizens managing the distribution networks"*.

The connection fee is regulated tariff representing the expense of a network operator to connect a consumer place and/or generator to the electricity network.

When a client's connection to the electricity transmission grid does not represent separate component of the connection contract connection fees are systematically recognised in the profit or loss account during the useful life of such asset.

The Company recognises the monetary availabilities collected from the connection fee in the credit of the "Deferred revenues" account under financial position and later on recognises the revenue into "Other revenues" category within the profit and loss account, systematically during the asset's useful life.

### (r) Net financing costs

They include interest rates corresponding to loans, calculated using the actual interest rate method, less the indebtedness costs capitalised as part in the cost of assets with long manufacturing cycle, dividend revenues, good and bad exchange rate differences, fees and risk commissions.

In accordance with SIC 23 "Indebtedness costs" reviewed and invoking the optional exception from retroactive application according to IFRS 1 "Adopting IFRS for the first time", the Company capitalises loan costs related to assets which require longer times till commissioning or sale which financing was obtained after 1 January 2011, date of IFRS transaction.

Interest revenues are recognised in the profit and loss account of their occurrence year, using the actual interest rate method. Dividends revenues are recognised in the profit and loss account on the date when the Company's right to receive dividends is recognised.

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)***(s) Subsidies**

Subsidies related to assets are initially recognised as “deferred revenues” at fair value when there is reasonable assurance they will be received, and the Company will comply with the conditions associated to subsidies, then subsidies are recognised in the profit and loss account as other operational revenues during useful lifetime of the asset referred to. Non-returnable funds are recognised as assets the moment there is reasonable assurance they will be received by complying with associated terms.

**(t) Provisions**

A provision is recognised if and only if the following conditions are met:

- The Company has current (legal or implicit) liability following a past event;
- It is likely (namely more probable than improbable) that a resource output representing economic benefits be necessary to settle such liability;
- When accurate estimation can be made of the liability amount;

Whenever the effect of the money's time value is significant the provision amount is the present value of expenses foreseen to be necessary to settle such liability.

**(u) Result per share**

In accordance with SIC 33 “Result per share”, this is calculated by dividing the gain or loss provided to Company shareholders to the weighted average of the ordinary shares during the period.

The weighted average of current shares during the year represents the number of shares at the beginning of the period, adjusted with the number of shares issued, multiplied with the number of months when shares circulated during the year.

Dilution is result per share reduction or increase of losses per share, resulted under the assumption that convertible instruments are converted, or that ordinary shares are issued after compliance with certain specified conditions. The object of the diluted result per share is similar to the basic result per share, namely to value the interest of each ordinary shares under an entity's performance.

**(v) Contingencies**

Contingent liabilities are not recognised in the attached financial statements. They are provided in case the resource output comprising economic benefits is possible, not probable.

A contingent asset is not recognised in the attached financial statements, but submitted only when economic benefits entry is probable.

**(w) Operational segments**

An operational segment is a component of an entity:

- Engaged into activities of which it can get revenues and from which it can incur expenses (including revenues and expenses related to transactions with other components of the same entity);
- Whose activity results are periodically reviewed by the entity's main decision-making factor with a view to take decisions about resource allocation by segment and assessing its performance; and
- Which distinct financial information is available for;

The Company performs operations in several locations of Romania, which are engaged both in transmission and dispatch activities. The Company's management consider all operations as “a single segment”.

Operational segments are provided in consequent manner with the internal report submitted by the entity's main decision-making operational factor with a view to take decisions about resource allocation by segments and assessing its performance.

**(x) Involvements of the new International Financial Reporting Standards (IFRS UE)**

The following new standards and amendments of existent standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) have not become effective for the annual financial reporting period ended on 31 December 2021 and were not applied when elaborating these financial statements: [IAS 8.30 (a)]

Norm / Interpretation [IAS 8.31 (a), 8.31(c)]	Type of imminent amendment of accounting policy [IAS 8.31 (b)]	Possible impact over financial statements [IAS 8.31 (e)]
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The attached notes are integral parts of these stand-alone financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

Amendments to IFRS 4 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2021)	The amendments to IFRS 4 extend the expiry date of the temporary exemption from the application of IFRS 9 to 2023, in order to align the effective date of IFRS 9 with the new IFRS 17.	The adoption of the amendments to IFRS 4 did not have an impact on the individual financial statements.
Amendments to IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 4 “Insurance Contracts”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 9 “Financial Instruments” and IFRS 16 “Leasing contracts” (effective for annual periods beginning on or after 1 January 2021)	The amendments provide for specific accounting treatment to stagger over time changes in the value of financial instruments or leases that have occurred as a result of the replacement of the interest rate benchmark, which prevents a sudden impact on profit or loss and prevents unnecessary interruptions in hedging, following the replacement of the interest rate benchmark.	The impact of the changes has been assessed and is not significant.
Amendments to IFRS 16 “Rent Concessions related to COVID 19 after June 30, 2021” (applicable from April 1, 2021)	The amendment provides for an extension of 1 year.	The adoption of the amendments to IFRS 16 did not have an impact on the 2021 individual financial statements.
Changes in the references to the general conceptual framework in the IFRS 2018-2020 standards (effective for annual periods beginning on or after 1 January 2022)	The purpose of the amendments is to update the existing references to previous frameworks, replacing them with references to the revised general conceptual framework, from several standards and interpretations IFRS 3 “Business Combinations”, “”, IAS 37 “Provisions, Contingent Liabilities and Assets” IAS 16 “Property, plant and equipment”	The adoption of these amendments did not have an impact on the 2021 individual financial statements.
Amendment to IAS 1 - Classification of current and non-current liabilities (applicable as of January 1, 2023). This amendment was published in January 2020 and is subject to future improvements, most likely the effective date of application will be January 1, 2024, according to the draft exposure published in Q4 2021.	The amendment clarifies how debts and other financial liabilities should be classified as current or non-current.	The adoption of amendments will not have an impact on individual financial statements, as this standard is not applicable at the time of preparation of these financial statements.
Amendments to IAS 8 - definition of accounting estimates (applicable as of January 1, 2023).	The amendment clarifies how companies should distinguish between policy change and change of estimate.	The adoption of the amendments will not have an impact on the individual financial statements, as this standard is not applicable at the time of preparation of these financial statements. It is estimated that it will not have a significant impact in the future.
Amendment to IAS 12 - Deferred Tax - Deferred tax resulting from assets and liabilities arising from a single transaction (applicable as of January 1, 2023).	The amendment restricts the scope of the Initial Recognition Exemption (IRE) so that it does not apply to transactions that give rise to equal and compensatory temporary differences.	The adoption of the amendments will not have an impact on the individual financial statements, as this standard is not applicable at the time of preparation of these financial statements. It is estimated that it will not have a significant impact.

The Company anticipates adopting such standards and amendments in the existing standards will not provide significant impact over the Company’s financial statements during the initial application period.

**4. DETERMINING THE FAIR VALUE**

Certain accounting policies of the Company and the requirements to provide information need determining the fair value both of financial assets and liabilities and of non-financial ones. When determining fair values of assets and liabilities the Company

The attached notes are integral parts of these stand-alone financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

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uses as much as possible noticeable market values. Fair values are classified by several levels in the fair values hierarchy based on input data used in assessment techniques as follows:

- Level 1: quoted (unadjusted) prices on asset markets for assets and identical liabilities;
- Level 2: input data, others than the quoted prices of level 1, which are noticeable for assets or liabilities either directly (e.g.: prices) or indirectly (e.g.: price derivatives);
- Level 3: input data for assets and liabilities which do not rely on noticeable market data.

Fair values were determined for assessment and/or for information submission based on the methods provided below:

**(i) *Tangible assets***

The fair value of tangible asset elements relies mainly on the cost method, taking into account the particular features of tangible assets held by the Company, except for assets under execution, which are put into account books according to the cost model.

**CNTEE Traselectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

(All amounts are expressed in LEI, unless otherwise provided)

**5. TANGIBLE ASSETS**

From 1 January 2020 to 31 December 2021 tangible assets developed as follows:

	<b>Lands and land developments</b>	<b>Special buildings and installations</b>	<b>Outfit and equipment</b>	<b>Instrumentati on and control</b>	<b>Vehicles</b>	<b>Other tangible assets</b>	<b>Tangible assets underway</b>	<b>Total</b>
<b>COST</b>								
<b>Balance on 1 January 2020</b>	<b>73,345,769</b>	<b>1,341,231,429</b>	<b>1,534,325,981</b>	<b>104,408,817</b>	<b>13,954,039</b>	<b>284,540,733</b>	<b>446,471,741</b>	<b>3,798,278,509</b>
Entries	-	-	-	-	-	-	376,742,646	376,742,646
Increase / decrease of revaluation reserve	-	-	-	-	-	-	-	-
Transfers from intangible assets underway	15,575	27,213,749	101,477,509	42,781,725	11,600	4,728,202	(176,228,360)	-
Reclassifications between asset accounts	-	(21,623)	31,786	(10,504)	-	341	14,533,297	14,533,297
Outputs	-	(6,436,092)	(449,670)	(71,854)	-	(102,389)	(2,525,915)	(9,585,920)
Impact from revaluation	(476,998)	-	-	-	-	-	-	(476,998)
<b>Balance on 31 December 2020</b>	<b>72,884,346</b>	<b>1,361,987,463</b>	<b>1,635,385,606</b>	<b>147,108,184</b>	<b>13,965,639</b>	<b>289,166,887</b>	<b>658,993,409</b>	<b>4,179,491,534</b>
<b>Balance on 1 January 2021</b>	<b>72,884,346</b>	<b>1,361,987,463</b>	<b>1,635,385,606</b>	<b>147,108,184</b>	<b>13,965,639</b>	<b>289,166,887</b>	<b>658,993,409</b>	<b>4,179,491,534</b>
Entries	-	-	-	-	-	-	507,240,914	507,240,914
Increase / decrease of revaluation reserve	-	-	-	-	-	-	-	-
Transfers from intangible assets underway	1,023,068	59,615,617	182,540,666	10,454,824	307,794	340,024	(254,281,993)	-
Reclassifications between asset accounts	-	-	-	-	-	-	(905,844)	(905,844)
Outputs	(523,807)	(156,174)	(567,979)	(26,032)	-	(374,606)	(59,484)	(1,708,082)
Impact from revaluation	-	-	-	-	-	-	-	-
<b>Balance on 31 December 2021</b>	<b>73,383,607</b>	<b>1,421,446,906</b>	<b>1,817,358,293</b>	<b>157,536,976</b>	<b>14,273,433</b>	<b>289,132,305</b>	<b>910,987,002</b>	<b>4,684,118,522</b>
<b>Cumulated amortisement</b>								
<b>Balance on 1 January 2020</b>	<b>138,179</b>	<b>96,195,636</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>241,737,587</b>	<b>-</b>	<b>338,071,402</b>
Amortisement expense	-	72,468,139	144,871,834	24,374,742	4,038,546	11,864,363	-	257,617,624
Cumulated amortisement of outputs	-	(6,283,913)	(184,974)	(69,182)	-	(102,390)	-	(6,640,459)
Impact from revaluation	-	-	-	-	-	-	-	-
<b>Balance on 31 December 2020</b>	<b>138,179</b>	<b>162,379,862</b>	<b>144,686,860</b>	<b>24,305,560</b>	<b>4,038,546</b>	<b>253,499,560</b>	<b>-</b>	<b>589,048,567</b>
<b>Balance on 1 January 2021</b>	<b>138,179</b>	<b>162,379,862</b>	<b>144,686,860</b>	<b>24,305,560</b>	<b>4,038,546</b>	<b>253,499,560</b>	<b>-</b>	<b>589,048,567</b>
Amortisement expense	-	69,101,800	157,485,172	26,799,416	3,551,388	7,768,604	-	264,706,380
Cumulated amortisement of outputs	-	(96,723)	(98,530)	(25,650)	-	(374,607)	-	(595,510)
Impact from revaluation	-	-	-	-	-	-	-	-
<b>Balance on 31 December 2021</b>	<b>138,179</b>	<b>231,384,939</b>	<b>302,073,502</b>	<b>51,079,326</b>	<b>7,589,934</b>	<b>260,893,557</b>	<b>-</b>	<b>853,159,437</b>

The attached notes are integrant parts of these stand-alone financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

	<b><u>Lands and land developments</u></b>	<b><u>Special buildings and installations</u></b>	<b><u>Outfit and equipment</u></b>	<b><u>Instrument ation and control</u></b>	<b><u>Vehicles</u></b>	<b><u>Other tangible assets</u></b>	<b><u>Tangible assets underway</u></b>	<b><u>Total</u></b>
<b>IMPAIRMENT ALLOWANCES</b>								
<b>Balance on 1 January 2020</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,629,302</u>	<u>20,629,302</u>
Impairment allowance expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,952,623</u>	<u>8,952,623</u>
<b>Balance on 31 December 2020</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,581,925</u>	<u>29,581,925</u>
Impairment allowance expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,321,335)</u>	<u>(13,321,335)</u>
<b>Balance on 31 December 2021</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,260,590</u>	<u>16,260,590</u>
<b>BOOK VALUE</b>								
<b>Balance on 1 January 2020</b>	<u>73,207,590</u>	<u>1,245,035,793</u>	<u>1,534,325,981</u>	<u>104,408,817</u>	<u>13,954,039</u>	<u>42,803,146</u>	<u>425,842,439</u>	<u>3,439,577,805</u>
<b>Balance on 31 December 2020</b>	<u>72,746,167</u>	<u>1,199,607,601</u>	<u>1,490,698,746</u>	<u>122,802,624</u>	<u>9,927,093</u>	<u>35,667,327</u>	<u>629,411,484</u>	<u>3,560,861,042</u>
<b>Balance on 31 December 2021</b>	<u>73,245,428</u>	<u>1,190,061,967</u>	<u>1,515,284,791</u>	<u>106,457,650</u>	<u>6,683,499</u>	<u>28,238,748</u>	<u>894,726,412</u>	<u>3,814,698,495</u>

The attached notes are integral parts of these stand-alone financial statements

**5. TANGIBLE ASSETS (continued)**

The total net amount of tangible assets was higher on 31 December 2021 compared to 31 December 2020 against the background of higher amounts for tangible assets mainly represented by making investments into high voltage electric lines and substations, as follows:

- The 400 kV double circuit OHL Cernavoda-Stalpu and connection in Gura Ialomitei – 182,525,520;
- 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 – 31,022,230;
- Refurbishing the 400/110/20 kV substation Domnesti – 23,158,400;
- Refurbishing the 220/110 kV substation Iaz – 22,822,038;
- Upgrading the 400 (220)/110/20 kV substation Munteni – 21,030,638;
- Refurbishing the 220/110 kV substation Craiova Nord – 20,331,907;
- Refurbishing the 400/110/20 kV substation Smardan – 14,744,536;
- Connecting the 400 kV OHL Isaccea - Varna and the 400 kV OHL Isaccea - Dobrogea in the 400 kV substation Medgidia Sud, stage I - Extending the 400 kV substation Medgidia Sud – 14,666,448;
- Extending the 400 kV substation Gura Ialomitei by two bays: the 400 kV OHL Cernavoda 2 & 3 – 12,666,267;
- Refurbishing the 220/110 kV substation Hadat – 11,977,195;
- Replacing the 400/400/160 MVA 400/231/22 kV AT 3-ATUS-SF of the 400/220 kV substation Portile de Fier – 11,054,817;
- Installing the 250 MVA T3 in the 400/110 kV substation Sibiu Sud – 10,975,041;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – 10,818,773;
- Refurbishing the 110 kV substation Medgidia Sud – 10,241,379;
- Upgrading the 220/110/20 kV substation Raureni – 10,233,660;
- Replacing autotransformers (AT) and transformers (T) in electric substations, stage 2, step 2 - lot 1 & lot 2 – 10,124,758;
- Relocation of the 400 kV networks at the crossroad with Bucharest's Belt Motorway: km 0+00 - km 100+900, Lot 2: 69+000 - km 85 +300, of the South Belt, the 400 kV OHL Domnesti - Bucharest Sud and the 400 kV OHL Slatina - Bucharest Sud – 9,878,974;
- Mobile 400 kV bays to connect shunt reactors in the 400 kV substations Bradu and Sibiu Sud – 9,204,653;
- Upgrading the 220/110 kV substation Dumbrava – 7,354,551;
- Refurbishing the 220/110/20 kV substation Baru Mare – 6,243,747;
- Refurbishing the 220/110/20 kV substation Ungheni – 6,024,400;
- Installing the 400 MVA, 400/231/22 kV AT 2 and associated bays in Substation Iernut and upgrading the command-control system of the 400/220/110/6 kV substation Iernut – 4,853,976;
- Consolidating the servers and data storage network (private cloud) – 4,665,317;
- Upgrading the electricity supply in the offices of UNO-DEN – 4,477,167;
- Refurbishing the 110 kV substation Timisoara and converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II: the 400 kV substation Timisoara – 4,032,149;
- Upgrade in order to diminish galloping effects to the 400 kV OHL in Baragan – Fetesti region; diminishing the galloping effects to the 400 kV OHL Bucharesti Sud – Gura Ialomitei and the 400 kV OHL Cernavoda – Gura Ialomitei (circuit 2) – 3,745,749;
- Upgrading the 110 kV and 400 (220 kV) installations in Substation Focsani Vest – 3,745,602;
- The 400 kV double circuit OHL Gutinas – Smardan – 3,459,658;
- Relocating the high voltage networks, Sibiu – Pitesti Motorway, km 0+000 – km 14+150, Lot 1: km 0+000 – km 13+170, the 400 kV simple circuit OHL Tantareni - Sibiu Sud – 3,458,188;
- Upgrading the 220/110/20 kV substation Vetis, primary equipment – 3,192,704;
- Relocating the high voltage networks, the 220 kV double circuit OHL Lotru – Sibiu Sud, Lot 1 km 0+000 – km 13+170 – 3,171,849;
- SDH communication equipment, N-E ring – 3,034,821;
- Procuring and installing 21 monitoring systems for transformer units in substations of Transelectrica SA – 2,771,220;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - the 400/220/110 kV substation Resita – 2,658,520;



## CNTEE Transelectrica SA

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

(All amounts are expressed in LEI, unless otherwise provided)

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- Optimising the operation of the 400 kV OHL Isaccea - Tulcea Vest, the 400 kV OHL Gura Ialomitei - Lacu Sarat by installing monitoring systems – 2,386,940;
- Replacing the 16 MVA T in Substation Pitesti Sud – 2,210,513;
- By-passing the 400 kV networks on section 2, lot 2, situated in Olt County for the execution of Craiova-Pitesti express road - the 400 kV simple circuit OHL Slatina-Draganesti Olt – 1,662,688;
- Pilot project - Refurbishing the 220/110/20 kV substation Alba Iulia as digital substation – 1,550,978;
- A3 multifunctionals – 1,508,544;
- Refurbishing the 220/110 kV substation Filesti – 1,269,378;
- Installing shunt reactor in the 400 kV substation Sibiu Sud – 1,251,609;
- The 400 kV substation Stalpu – 1,154,518;
- Three-phase portable standard meters with associated accessories, sources of portable three-phase load and portable thermal printers – 1,021,683;
- Extending the 400 kV substation Cernavoda, stage I+II, replacing 2 shunt reactors, connecting new lines – 1,020,421;
- Replacing circuit breakers in electric substations – 1,004,828.

In 2021 the greatest **transfers from tangible assets underway to tangible assets** are mainly represented by commissioning investment objectives as follows:

- Refurbishing the 400/110/20 kV substation Domnesti – 63,521,760;
- Refurbishing the 220/110 kV substation Craiova Nord – 20,158,240;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – 17,802,934;
- Refurbishing the 220/110 kV substation Iaz – 16,570,878;
- Installing the 250 MVA T3 in the 400/110 kV substation Sibiu Sud – 14,938,152;
- Extending the business continuity and post-disaster recovery services – 13,998,075;
- Replacing the 400/400/160MVA 400/231/22 kV AT 3 - ATUS-SF in the 400/220 kV substation Portile de Fier – 13,738,637;
- Replacing AT and T in electric substations, stage 2, step 2 - Lot 1 - Lot 2 – 12,237,343;
- Mobile 400 kV bays to connect shunt reactors in the 400 kV substations Bradu and Sibiu Sud - 12,010,946;
- Refurbishing the 220/110/20 kV substation Ungheni – 9,920,762;
- Relocating 400 kV networks at the crossroad with Bucharest's Belt Motorway: km 0+00 - km 100+900, Lot 2: 69+000 - km 85 +300, of the South Belt, the 400 kV OHL Domnesti - Bucharesti Sud and the 400 kV OHL Slatina - Bucharest Sud – 9,878,974;
- Refurbishing the 400/110/20 kV substation Smardan – 9,832,201;
- Freeing the location and providing coexistence conditions with the 400 kV installations of CNTEE TRANSELECTRICA SA in localities Letea Veche & Saucesti, Bacau County (execution) – 5,695,650;
- Replacing circuit breakers in electric substations – 4,316,092;
- The 400 kV simple circuit OHL Oradea Sud-Nadab-Bekescsaba, final stage: section between towers 1- 42 (48) of the 400 kV OHL Oradea Sud - Nadab – 3,823,516;
- Relocating high voltage networks, Sibiu - Pitesti Motorway, km 0+000 – km 14+150, Lot 1: km 0+000 – km 13+170, the 400 kV simple circuit OHL Tantareni - Sibiu Sud – 3,458,188;
- Moving and protecting high voltage electric networks (220 kV & 400 kV) – BRASOV - CLUJ - BORS MOTORWAY, SECTION 1C: SIGHISOARA – Tg. Mures – SUBSECTIONS 2 & 3 Tg. Mures - Ungheni - Ogra – 3,045,396;
- SDH communication equipment, N-E ring – 2,731,344;
- Replacing the 16 MVA transformer in Substation Pitesti Sud – 2,387,237;
- The 400 kV OHL Oradea – Beckescsaba – 1,828,775;
- Optimising the operation of the 400 kV OHL Isaccea -Tulcea Vest, the 400 kV OHL Gura Ialomitei - Lacu Sarat by installing monitoring systems – 1,739,475;
- By-passing the 400 kV networks on section 2, lot 2, situated in Olt County to execute the Craiova - Pitesti express road, the 400 kV simple circuit OHL Slatina - Draganesti Olt – 1,662,688;
- A3 multifunctionals – 1,508,544;
- Achieving communication path between Substation Resita and the CTSI offices, UTT Timisoara – 1,458,787;
- Replacing the shunt reactor of Substation Arad – 1,396,486;

The attached notes are integral parts of these stand-alone financial statements

- Replacing the shunt reactor in the 400 kV substation Sibiu Sud – 1,322,064;
- Access road into Substation Fantanele of DJ 134 – 1,065,686;
- Three-phase portable standard meters with associated accessories, sources of portable three-phase load and portable thermal printers – 1,056,019;
- Building platform hall, rolling stock and hydrocarbon separator to store equipment in Substation Suceava – 894,065;
- Thermal rehabilitation of buildings in the transformer substation Constanta Nord – 630,300;
- Providing day/night buoy systems on the 400 kV OHL Bradu - Brasov in the area of towers 400 - 401- 411 - 416 - 417 - 418 - 419 – 557,258;
- Relocating the IO 400 kV ABB LTB 420 E2 circuit breaker in Substation Darste in Substation Rosiori – 470,362;
- Wi-Fi access system for one's network and the internet – 396,340;
- By-passes and protection of electric networks on the by-passing variant Satu Mare - the 220 kV OHL Rosiori - Vetis – 342,145;
- Portable analysors for electricity quality – 254,657;
- Replacing the 6/0.4 kV auxiliary service transformer and related bays in the 220/110 kV substation Baia Mare 3 – 238,908;
- Installing Line Differential Protection in Substation Baia Mare 3 – 219,371;
- Installing Line Differential Protection in the 110 kV OHL Jibou bay in the 220/110 kV substation Tihau – 216,148;
- IP office phone sets – 195,620;
- Increasing the security of installations in the 400/220/110/10 kV substation Bucharest Sud - Replacing the 10 kV equipment - Lot II – 182,274;
- Replacing the 220 V accumulator battery no. 1 of dc auxiliary services in the 220/110 kV substation Stuparei – 167,382;
- Installing and commissioning the Differential Line Protection in the 110 kV Zalau OHL bay in the 220/110/20 kV substation Salaj – 143,056;
- Direct electricity sources type UPS - 2 pc., 14.5 kW air conditioning equipment - 2 pc., Air dehumidifier - 1 pc. – 124,471.

The **balance of tangible assets under execution** on 31 December 2021 is represented by projects in progress, of which the most significant are provided below:

- The 400 kV double circuit OHL Cernavoda - Stalpu and connection in Gura Ialomitei – 294,589,136;
- 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 – 92,679,029;
- Connecting the 400 kV OHL Isaccea - Varna and the Isaccea - Dobrogea OHL in the 400 kV substation Medgidia Sud – 56,713,818;
- Refurbishing the 220/110 kV substation Hasdat – 53,015,667;
- 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 – 46,884,983;
- Upgrading the 400 (220)/110/20 kV substation Munteni – 31,664,008;
- Upgrading the 220/110/20 kV substation Raureni – 25,487,771;
- Upgrading the 220/110 kV substation Dumbrava – 18,629,574;
- Upgrading the 220/110/20 kV substation Arefu – 16,213,412;
- Refurbishing the 220/110 kV substation Iaz – 16,121,921;
- Mobile 110 kV, 220 kV and 400 kV bays – 14,296,873;
- Refurbishing the 110 kV substation Medgidia Sud – 13,737,773;
- Installing the 400 MVA, 400/231/22 kV AT2 and related bays in Substation Iernut and upgrading the command-control system of the 400/220/110/6 kV substation Iernut – 13,551,611;
- Refurbishing the 400/110/20 kV substation Smardan – 13,005,286;
- Extending the 400 kV substation Gura Ialomitei by two bays: the 400 kV Cernavoda 2 & 3 – 12,810,682;
- Extending the 400 kV substation Cernavoda, stage I+II, replacing 2 shunt reactors, connecting new lines – 12,174,582;
- Upgrading the 110 kV and 400 (220 kV) installations of Substation Focsani Vest – 11,926,080;

## CNTEE Transelectrica SA

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

(All amounts are expressed in LEI, unless otherwise provided)

- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - the 400/220/110 kV substation Resita – 9,286,481;
- Refurbishing the 110 kV substation Timisoara and converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II: the 400 kV substation Timisoara – 8,900,950;
- The 400 kV double circuit Gutinas - Smardan – 7,642,283;
- Refurbishing the 220/110/20 kV substation Ungheni – 7,067,621;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – 6,882,706;
- Upgrading the 220/110/20 kV substation Vetis - primary equipment – 6,544,853;
- Refurbishing the 220/110/20 kV substation Baru Mare – 6,479,133;
- The 400 kV OHL Gadalini - Suceava, including SEN interconnection – 6,043,182;
- 400 kV HVDC Link (Submarine cable Romania - Turkey) – 5,853,759;
- Replacing AT and T in electric substations, stage 2, step 2: Lot 1 - Lot 2 – 4,988,906;
- Integrated security system in electric substations, stage IV – 4,816,604;
- Consolidating the servers and the data storage network (private cloud) – 4,665,317;
- Upgrading the electricity supply of UNO-DEN offices – 4,536,567;
- The 400 kV OHL Suceava - Balti for the project section on Romania's territory – 4,439,120;
- Upgrade to diminish galloping to the 400 kV OHL in Baragan - Fetesti region; diminishing galloping to the 400 kV OHL Bucharest Sud - Gura Ialomitei and the 400 kV OHL Cernavoda - Gura Ialomitei (circuit 2) – 3,745,749;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II, the 400 kV double circuit OHL Resita - Timisoara - Sacalaz – 3,374,984;
- Extending with new functions the control and IT access supervision in the objectives of CNTEE Transelectrica SA – 3,200,918;
- Relocating the high voltage networks, the 220 kV double circuit OHL Lotru - Sibiu Sud, Lot 1 km 0+000 - km 13+170 – 3,171,849;
- Connecting to RET the 136 MW WPP Platonesti, Ialomita County by building a 110 kV bay in the 400/110 kV substation Gura Ialomitei – 2,889,337;
- Integrated security system in electric substations, stage III – 2,798,024;
- Procuring and installing 21 monitoring systems for transformer units in substations of Transelectrica SA – 2,771,220;
- Connecting to RET the 99 MW WPP Dumesti and the 30 MW WPP Romanesti, Iasi County, by building a 110 kV bay in the 220/110 kV substation FAI – 2,545,853;
- By-passing the 110 kV OHL Cetate 1 & 2 near the 110/20/6 kV substation Ostrovul Mare – 2,578,438;
- The 400 kV substation Stalpu – 2,263,958;
- Refurbishing the 220/110 kV substation Filesti – 1,839,885;
- Achieving optical fibre communication between Substation Pitesti Sud and the remote control and installations supervision centre of UTT Pitesti (FS) – 1,714,424;
- Executive - DCBPA/CPA: Consolidation, upgrade and extension of CNTEE Transelectrica offices – 1,627,393;
- The 220 kV double circuit OHL Ostrovu Mare - RET (CA Decision 17/2007) – 1,580,700;
- Pilot project - Refurbishing the 220/110/20 kV substation Alba Iulia as digital substation – 1,550,978;
- Integrated security system in the new (400) 220/110 kV substation Banca – 1,133,202.

In accordance with the provisions of article 46 from ANRE Order 59/2013 approving the Regulation with respect to connecting users to electricity networks of public interest, the acceptance of installations resulting from works achieving and commissioning connection installations is performed according to applicable legal provisions.

The project financed from the connection fee “RET connection of the 56 MW WPP Bogdanesti, the 112.5 MW WPP Deleni, the 20.8 MW WPP Viisoara Nord 1, the 52.8 MW WPP Viisoara Nord 1, the 47.5 MW WPP Viisoara Sud, in the area of certain localities in Vaslui County through the new 400/220/110 kV substation Banca” - has been completed, with Work completion minutes 34759/14.11.2013, but technical conditions were not met to execute the commissioning minutes. The contract is valid until 31.12.2022, total investment amount underway – 48,018,186.

Special buildings and installations are provided at net value in financial statements. On 31 December 2015 the Company changed the revaluation registration for revaluation, passing from the gross method to the net one, without an influence from some artificial denaturation of the gross accounting value and amortisement.

The attached notes are integrant parts of these stand-alone financial statements

Special buildings and installations mainly consist of transformer substations and high voltage electric lines.

Outfits and equipment mainly consist of transformers and SEN associated 110 kV, 220 kV, 400 kV and 750 kV bays.

Special buildings and installations were revaluated on 31 December 2018 by SC JPA Audit & Consultancy SRL, independent valuator licensed by the National Union of Licensed Valuers of Romania.

Such valuation used the fair value under assumption of continued activity using the tangible assets under the existing structure.

In case of goods belonging in the state's public domain represented by completed assets achieved from one's financing sources, they will be included in the inventory of assets in the state's public domain after recovery of financing sources, whenever a Governmental Decision will approve the inventory of assets belonging in the state's public domain.

Special installations, outfits and equipment, instrumentation and control appliances and vehicles were revaluated on 31 December 2019 by SC JPA Audit & Consultanta SRL, independent valuator licensed by the National Union of Licensed Valuers of Romania (ANEVAR). Such assets were revaluated mainly using the cost method. In case of such method the gross replacement cost was established using the indirect method. The cost method was used for considerations of assets specialisation, which information insufficiency was ascertained on the market and/or inexistence of an active market.

Special installations, outfits and equipment, instrumentation and control appliances and vehicles are present at net value in financial statements. On 31 December 2015 the Company changed the revaluation registration, passing from the gross method to the net one in order to provide clearer more concise and relevant image to the users of financial statements, without an influence from some artificial denaturation of the gross accounting value and amortisement.

Lands were revaluated on 31 December 2019 based on the market method.

In 2020 surfaces of two lands belonging to UTT Sibiu were corrected, lands which on 31 December 2019 were wrongly valued. Erratum to the Revaluation Report 1781/08.09.2020 of JPA Romania established the new value for the following lands:

- CE Mures Offices, Str. Tamas Erno 3 – incorrect area 1,115 m2 - correct being 557.5 m2;
- Alba Iulia Offices, Str. Ferdinand 83 – incorrect area 334.52 m2 - correct being 325.49 m2.

Thus, the lands value was diminished by 476,998 on account of the revaluation reserves.

In 2021 book keeping was corrected according to measure I.1 of CCR Decision 15/2020 regarding court cancellation of Certificate specifying the ownership right over the land held by the Company, situated in Craiova, Str. Nicolae Titulescu 1, Dolj County of 328.14 m2. In this respect the value of Company-held lands was diminished by 523,807 to "other reserves" and "revenues from revaluation of tangible assets".

On 31 December 2021 and 31 December 2020 the Company had no assets pledged or mortgaged.

### **Fair value of tangible assets**

The Company's tangible assets, other than tangible assets underway, are provided at revalued value in financial statements, they providing the fair value on the valuation date, less the cumulated amortisement and impairment allowances.

The fair value of Company lands was determined using the direct comparison method.

This is the recommended method for properties when there are sufficient safe data about transactions or sale offers for similar properties in the area. The analysis of transaction prices or of prices asked for or offered for comparable properties is followed by corrections of such prices, in order to quantify the differences between the prices paid, demanded or offered, caused by differences between the characteristics specific to each individual property called comparison items.

The fair value of buildings, equipment and measuring instruments was determined using the cost approach.

This method assumes the maximum amount of an asset for an informed buyer is the sum necessary to purchase or build a new asset of equivalent utilisation. Whenever the asset is not new, all forms of depreciation that can be attributed to it until valuation date should be deducted from the gross current cost.

Information regarding the **fair value hierarchy** on 31 December 2021 and 31 December 2020:

The attached notes are integrant parts of these stand-alone financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021  
(All amounts are expressed in LEI, unless otherwise provided)

	Level 1	Level 2	Level 3	Fair value on 31 December 2021
Lands and land developments	-	73,245,428	-	73,245,428
Special buildings & installations	-	-	1,190,061,967	1,190,061,967
Outfit and equipment	-	-	1,515,284,791	1,515,284,791
Instrumentation and control	-	-	106,457,650	106,457,650
Vehicles	-	-	6,683,499	6,683,499
Other tangible assets	-	-	28,238,748	28,238,748

	Level 1	Level 2	Level 3	Fair value on 31 December 2020
Lands and land developments	-	72,746,167	-	72,746,167
Special buildings & installations	-	-	1,199,607,601	1,199,607,601
Outfit and equipment	-	-	1,490,698,746	1,490,698,746
Instrumentation and control	-	-	122,802,624	122,802,624
Vehicles	-	-	9,927,093	9,927,093
Other tangible assets	-	-	35,667,327	35,667,327

Both in 2021 and in 2020 there were no transfers between the fair value levels.

The cost value of tangible asset elements on 31 December 2021 and 31 December 2020, net of the amortisation expense and cumulated depreciation, is provided below:

	Cost value 31 December 2021	Cost value 31 December 2020
Lands and land developments	8,150,428	7,651,670
Special buildings & installations	786,495,103	768,364,796
Outfit and equipment	1,122,504,614	1,041,299,200
Instrumentation and control	96,239,774	108,640,590
Vehicles	5,895,044	8,565,223
Other tangible assets	28,238,748	35,667,303
<b>TOTAL</b>	<b>2,047,523,711</b>	<b>1,970,182,782</b>

## 6. ASSETS RELATED TO RIGHTS OF USE UNDER A LEASE – BUILDINGS

They represent the utilisation right for leased assets - buildings, namely the spaces the Company leased in the Platinum Office Building (contract C217/2015 concluded with Dagesh Rom SRL), according to the provisions of IFRS 16 – Leasing Contracts.

Beginning with 01.10.2020, the new lease contract was in force (contract C232 concluded with Dagesh Rom SRL), valid for 5 years, amounting to 9,000,000 Euro (VAT free).

On 31 December 2021 the net value of the utilisation right for spaces the Company leased in the Platinum Office Building amounted to 29,820,897 Lei.

For this contract the Company pays a monthly quantum of 16.67 Euro/m<sup>2</sup> (VAT free) for the rent of office spaces, a surface of about 9,000 m<sup>2</sup> resulting an annual amount of 1.8 mill. Euro.

On 31 December 2021 and 31 December 2020 the assets associated to the utilisation rights of leased assets - building were as follows:

The attached notes are integrant parts of these stand-alone financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021  
*(All amounts are expressed in LEI, unless otherwise provided)*

	Assets acc to the utilisation rights of leased assets (buildings)	Total
<b>COST</b>		
<b>Balance on 1 January 2020</b>	<b>14,766,931</b>	<b>14,766,931</b>
Entries, of which:	39,761,197	39,761,197
Outputs	(14,766,931)	(14,766,931)
<b>Balance on 31 December 2020</b>	<b>39,761,197</b>	<b>39,761,197</b>
<b>Balance on 1 January 2021</b>	<b>39,761,197</b>	<b>39,761,197</b>
Entries, of which:	-	-
Outputs	-	-
<b>Balance on 31 December 2021</b>	<b>39,761,197</b>	<b>39,761,197</b>
<b>CUMULATĂ AMORTIZARE</b>		
<b>Balance on 1 January 2020</b>	<b>8,438,246</b>	<b>8,438,246</b>
Amortisement expense	8,316,745	8,316,745
Cumulated amortisement of outputs	(14,766,931)	(14,766,931)
<b>Balance on 31 December 2020</b>	<b>1,988,060</b>	<b>1,988,060</b>
<b>Balance on 1 January 2021</b>	<b>1,988,060</b>	<b>1,988,060</b>
Cheltuiala cu amortizarea	7,952,240	7,952,240
Amortizarea cumulată a ieşirilor	-	-
<b>Balance on 31 December 2021</b>	<b>9,940,300</b>	<b>9,940,300</b>
<b>IMPAIRMENT ALLOWANCES</b>		
<b>Balance on 1 January 2020</b>	-	-
Impairment allowance expense	-	-
<b>Balance on 31 December 2020</b>	-	-
Impairment allowance expense	-	-
<b>Balance on 31 December 2021</b>	-	-
<b>BOOK VALUE</b>		
<b>Balance on 1 January 2020</b>	<b>6,328,685</b>	<b>6,328,685</b>
<b>Balance on 31 December 2020</b>	<b>37,773,137</b>	<b>37,773,137</b>
<b>Balance on 31 December 2021</b>	<b>29,820,897</b>	<b>29,820,897</b>

**7. INTANGIBLE AND FINANCIAL ASSETS***i) Intangible assets*

On 31 December 2021 and 31 December 2020 the Company's intangible assets were as follows:

Licences and software	Intangible assets underway	Total
The attached notes are integral parts of these stand-alone financial statements		

**CNTEE Tranelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

<b>COST</b>			
<b>Balance on 1 January 2020</b>	<b>60,811,571</b>	<b>20,596,020</b>	<b>81,407,591</b>
Entries	-	2,717	2,717
Transfers from intangible assets underway	-	(14,533,297)	(14,533,297)
Transfers from tangible assets underway	(1,032,837)	-	(1,032,837)
Outputs	(163,809)	-	(14,930,740)
<b>Balance on 31 December 2020</b>	<b>60,884,987</b>	<b>5,828,215</b>	<b>66,713,202</b>
<b>Balance on 1 January 2021</b>	<b>60,884,987</b>	<b>5,828,215</b>	<b>66,713,202</b>
Entries	-	683,899	683,899
Transfers from intangible assets underway	1,034,605	(1,034,605)	-
Transfers from tangible assets underway	905,844	-	905,844
Outputs	(281,332)	-	(281,332)
<b>Balance on 31 December 2021</b>	<b>65,544,104</b>	<b>5,477,509</b>	<b>68,021,613</b>
<b>CUMULATED AMORTISEMENT</b>			
<b>Balance on 1 January 2020</b>	<b>57,618,943</b>	-	<b>57,618,943</b>
Amortisement expense	1,930,260	-	1,930,260
Cumulated amortisement of outputs	(163,809)	-	(163,809)
<b>Balance on 31 December 2020</b>	<b>59,385,394</b>	-	<b>59,385,394</b>
<b>Balance on 1 January 2021</b>	<b>59,385,394</b>	-	<b>59,385,394</b>
Amortisement expense	1,812,292	-	1,812,292
Cumulated amortisement of outputs	(281,332)	-	(281,332)
<b>Balance on 31 December 2021</b>	<b>60,916,354</b>	-	<b>60,916,354</b>
<b>IMPAIRMENT ALLOWANCES</b>			
<b>Balance on 1 January 2020</b>	-	351,208	351,208
Impairment allowance expense	-	-	-
<b>Balance on 31 December 2020</b>	-	351,208	351,208
Impairment allowance expense	-	(351,208)	(351,208)
<b>Balance on 31 December 2021</b>	-	-	-
<b>BOOK VALUE</b>			
<b>Balance on 1 January 2020</b>	<b>3,192,628</b>	<b>20,244,812</b>	<b>23,437,440</b>
<b>Balance on 31 December 2020</b>	<b>1,499,593</b>	<b>5,477,007</b>	<b>6,976,600</b>
<b>Balance on 31 December 2021</b>	<b>1,627,750</b>	<b>5,477,509</b>	<b>7,105,259</b>

In case of intangible assets underway the greatest 2021 entries were represented by:

- Upgrade of the existent antimalware solution – 49,694;
- Three-phase portable standard meters with associated accessories, sources of portable three-phase load and portable thermal printers – 34,336;
- PLS and Tower software licences – 19,307.

In 2021, the greatest transfers from intangible assets underway into intangible assets were represented by:

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**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

- Optimising the operation of the 400 kV OHL Isaccea -Tulcea Vest, the 400 kV OHL Gura Ialomitei - Lacu Sarat by installing monitoring systems- alphamonitoring, adroperated, adrtransient licences, as well as Windows licences for servers and working stations – 865,760;
- Extending the business continuity and post-disaster recovery services - licences for dispatcher activities and regimes – 613,850;
- Management application, UNO-DEN location, Bucharest – 316,917;
- Upgrade of the existent antimalware solution – 49,694;
- PLS and Tower software licences – 19,307.

The balance of intangible assets under execution on 31 December 2021, amounting to 5,477,509 Lei, is represented by projects in progress, of which the most significant is: “Implementing an Electronic Archive and Document Management system within CNTEE Transelectrica SA” – 5,474,290.

**ii) Financial assets**

They comprise the net value of shares held by the Company amounting to 81,742,973 on 31 December 2021 and were as follows:

Shares held in FORMENERG	1,948,420
Shares held in ICEMENERG	-
Shares held in OPCOM	30,687,300
Shares held in SMART	38,528,600
Shares held in TELETRANS	6,874,430
Shares held in ICEMENERG SERVICE	-
Shares held in BRM	23,000
Shares held in TSC NET	2,207,160
Shares held in the Joint Allocation Office SA	1,231,923
Shares held in SELENE CC Societe Anonyme	242,140
<b>Total shares held from affiliated entities</b>	<b>81,742,973</b>

**8. INVENTORIES**

On 31 December 2021 and 31 December 2020 inventories (at net value) were the following:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Spare parts	28,526,819	26,608,876
Consumables and other materials	9,209,510	9,106,263
Auxiliary materials	931,863	764,814
Other inventories	1,271,505	1,921,464
<b>Total</b>	<b>39,939,697</b>	<b>38,401,417</b>

On 31 December 2021 and 31 December 2020 impairment allowances for inventories were as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Impairment allowances for consumables	7,945,288	7,525,152
Impairment allowances for other materials	5,796,517	4,592,487
Impairment allowances for packages	219,568	219,568
<b>Total</b>	<b>13,961,373</b>	<b>12,337,207</b>

On 31 December 2021 and 31 December 2020 the development of impairment allowances for inventories was:

The attached notes are integral parts of these stand-alone financial statements



**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Balance on 1 January</b>	<b>12,337,207</b>	<b>8,042,296</b>
Registration of impairment allowances for inventories	2,450,461	4,491,068
Reversal of impairment allowances for inventories	(826,295)	(196,157)
<b>Balance at the end of the period</b>	<b>13,961,373</b>	<b>12,337,207</b>

In 2021 expenses made for consumption of materials and spare parts were as follows:

	<b>2021</b>	<b>2020</b>
Spare parts expenses	4,889,150	3,241,133
Expenses regarding other consumables	724,544	874,827
Expenses regarding other materials	1,436,633	1,400,414
Expenses with auxiliary materials	172,292	219,351
Fuel expenses	2,473,512	1,910,155
<b>Total</b>	<b>9,696,131</b>	<b>7,645,880</b>

**9. TRADE AND OTHER RECEIVABLES**

On 31 December 2021 and 31 December 2020 trade and other receivables were the following:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Trade receivables	2,194,153,312	849,268,696
Other receivables	189,968,790	111,446,214
Down payments to suppliers	701,351,443	44,849,824
VAT to recover	122,134,375	33,960,938
Impairment allowances for uncertain trade receivables	(145,107,946)	(134,733,880)
Impairment allowances for other receivables	(66,918,366)	(56,855,137)
<b>Total</b>	<b>2,995,581,608</b>	<b>847,936,655</b>

The structure of trade receivables was the following:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Clients on the electricity market, of whom:	2,182,908,347	847,744,023
- Clients - operational activity – energy	1,408,378,875	474,769,650
- Clients - the balancing market	566,726,844	177,925,277
- Clients - bonus type support scheme to promote high efficiency cogeneration	207,802,628	195,049,096
Clients from other activities	11,244,965	1,524,673
<b>Total trade receivables</b>	<b>2,194,153,312</b>	<b>849,268,696</b>

• CNTEE Transelectrica SA performs its operational activities under the Operational Licence 161/2000 issued by ANRE, updated under Decision 758/21.04.2021 of ANRE President to provide electricity transmission services, system services and balancing market administration.

On 31 December 2021 clients on balance from operational activities and the balancing market increased in comparison with 31 December 2020, mainly determined by higher prices registered with the electricity exchange operator, namely OPCOM, for transactions on the balancing market and those resulting from markets coupling in quarter 4, 2021 compared to quarter 4,

The attached notes are integral parts of these stand-alone financial statements

## CNTEE Transelectrica SA

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

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2020 generating higher receivables on balance on 31 December 2021 compared to 31 December 2020.

The main clients in the total trade receivables are represented by: OPCOM, MAVIR, Ciga Energy SA, Electrica Furnizare SA, Cinta Energy SA, RAAN, Energy Complex Oltenia SA, Enel Energie SA, E.ON Energy Romania SA, and Joint Allocation Office SA. Their share is 73.55% in the total trade receivables.

• CNTEE Transelectrica SA performs activities under the bonus type support scheme to promote high efficiency cogeneration as administrator of the support scheme, in accordance with the provisions of HGR 1215/2009, with later amendments and additions, *“the main attributions being to collect monthly the cogeneration contribution and pay bonuses every month”*.

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

Clients under the bonus type support scheme to promote high efficiency cogeneration registered on 31 December 2021 higher receivables, mainly determined by higher amounts invoiced for the collection of monthly contributions.

On 31 December 2021 the Company registered collectable receivables amounting to 207,802,628, represented by invoices issued under the bonus type support scheme to promote high efficiency cogeneration, of which:

- 2011-2013 overcompensation amounting to 76,702,140 from RAAN – 63,467,054 and CET Govora SA – 13,235,086;
- 2014 undue bonus amounting to 3,914,960 from RAAN – 1,981,235, CET Govora – 1,933,725;
- 2015 undue bonus amounting to 563,899 from CET Govora – 534,377, Interagro – 29,523;
- 2020 undue bonus amounting to 522,181 from Donau Chem;
- Cogeneration contribution not collected from the suppliers of electricity consumers in amount of 21,162,364 from: Transenergo Com – 5,882,073, Petprod – 4,391,193, Romenergy Industry – 2,680,620, RAAN- 2,385,922, UGM Energy – 1,504,046, CET Govora – 900,864, KDF Energy – 887,527 and others.

Until the date of this financial report the Company collected the receivables related to overcompensated activities under the 2020 support scheme (sum of 16,474,649) from Electrocentrale Bucharest, and 11,729,519 of 2021 undue bonus amounting to 12,251,700 established under ANRE Decisions from the following producers: Bepco SRL, Energy Complex Hunedoara, Energy Complex Oltenia, CET Arad, CET Govora, Contourglobal Solutions, Electrocentrale Bucharest, Electro Energy Sud, Electroutilaj SA, Polytechnic University Bucharest, Prefab, Soceram SA and Termoficare Oradea.

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

• On the docket of Mehedinti Tribunal, Section II Civil of Administrative & Fiscal Disputes file 9089/101/2013/a140 was registered pertaining to “claims in amount of 86,513,431”, where the Company is claimant and the **Autonomous Authority for Nuclear Activities – RAAN** is defendant.

The law court summons filed by Transelectrica SA requested the instance to compel defendant RAAN to pay 86,513,431.

On 19.05.2016 Mehedinti Tribunal, Section II Civil of Administrative & Fiscal Disputes pronounced hearing conclusion and ordered as follows: “In accordance with article 413 pt. 1 Civil Procedural Code decides suspending the case until settlement of file 3014/2/2014 found on the docket of the High Court for Cassation and Justice. Appeal right is valid during the entire suspension term; pronounced on 19 May 2016 at public hearing”; hearing term on 06.06.2019.

Mention should be made file 3014/2/2014 on the docket of the High Court for Cassation and Justice pertained to appeal in order to cancel ANRE Decision 743/28.03.2014, the parties being RAAN (claimant) and ANRE (defendant).

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

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

In the intermediate ruling 10/28.01.2016 pronounced by Mehedinti Tribunal, Section II Civil of Administrative & Fiscal Disputes, the syndic judge decided initiating the debtor’s bankruptcy procedure based on article 107 para 1 let. C of Law

The attached notes are integrant parts of these stand-alone financial statements

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Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

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85/2006, as well as breaking up the debtor and cancelling its administration right.

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

Once submitting the receivable statement under RAAN's bankruptcy procedure Transelectrica SA can resort to the provisions of article 52 from Law 85/2006, applicable to RAAN's bankruptcy procedure, provisions resumed in article 90 of Law 85/2014 on the creditor's right to invoke compensation for its receivables with its debtor's to it, whenever the law-provided conditions for legal compensation are complied with on the procedure opening date. Transelectrica SA was recorded with 11,264,777 Lei in the table of debtor RAAN, in the category of receivables resulting from the debtor's uninterrupted activity, the actual amount the Company requested being 89,360,986 Lei, but 78,096,208.76 Lei were not registered in the preliminary receivable table because "such sum was not recorded as owed liability in RAAN's accounting books". Moreover the judiciary liquidator considered the request to record 78,096,209 Lei was made late since it pertained to 2011 – 2013, for which reason the receivable statement should have been submitted when the insolvency procedure began, namely on 18.09.2013.

In consequence of registering only a part from the total amount requested by Transelectrica in quantum of 89,360,986.06 Lei and of letter 4162/03.10.2016, whereby the judiciary liquidator informed us only the sum of 11,264,777.30 Lei was recorded in the additional table of receivables resulting from continued debtor activities, while 78,096,208.76 Lei were denied, contestation was submitted to the Additional receivables table within the legal term.

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

Mehedinti Tribunal decided as follows: "It admits the exception of decline. It partly admits the main issue and associated contestation. It compels defendant RAAN to pay to claimant Transelectrica the amount of 16,950,117.14 Lei accrued during the procedure, judging to record it in the creditors' table constituted against debtor RAAN by this sum. The other associated demands are denied. In accordance with article 453 para 2 from the Civil Procedural Code it compels the defendant to pay 1000 Lei law court expenses to the claimant. Appeal right is granted. It was pronounced on 20.06.2019 at public hearing". Document: Ruling 163/2019, 20.06.2019.

Transelectrica filed appeal within the legal term. The Appeal Court Craiova established the first hearing term on 30.10.2019; the appeal was denied as groundless. Transelectrica filed review request for contrary rulings, registered under file 1711/54/2019, with hearing term on 25.03.2020 to the Appeal Court Craiova, which was supposed to refer the file to the High Court of Cassation and Justice for competent settlement.

Under the bankruptcy file 9089/101/2013 Mehedinti Tribunal established the term on 26.03.2020 to continue the procedure. In accordance with article 63 para 11 of Decree 240/2020, the file was lawfully suspended.

When the emergency state ended and law courts resumed their activity, on the 08.10.2020 hearing term the instance set a term to continue liquidation procedures, represent the debtor's interests in the disputes on the dockets of law courts, consolidate the receivables' amount, continue measures to recover receivables and public auctions to capitalise the debtor's assets, setting the next hearing term on 04.02.2021.

On the 04.02.2021 terms, settlement in brief: a term was granted on 3 June 2021, 11:00 h, to continue the procedure, assess the entire patrimonial inventories, execute sale regulations, sell the assets and collect the receivables. Document: Hearing conclusion, 04.02.2021.

On 03.06.2021 a new term was set to further liquidation, capitalise assets and recover receivables on 14.10.2021. This term settled with the same ruling to further the liquidation and a new term was established on 10.02.2022. The procedure will continue at least until the new term set on **02.06.2022**.

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

In accordance with such Agreement the Company's receivables collectable from CET Govora SA were compensated with its liabilities to CET Govora SA, represented by cogeneration bonus for May 2014 – October 2015 amounting to 40,507,669, withheld by applying the provisions of article 17 para 5 of ANRE President's Order 116/2013 and the Agreement provisions.

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

On 9 May 2016 the general insolvency procedure was initiated for CET Govora. In view of recovering the receivables accrued before opening the insolvency procedure the Company followed the specific procedures specified by the Insolvency Law

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85/2014 and requested the court to admit its receivables, as per legal provisions. Taking into account the above, beginning with 9 May 2016 the Company ceased applying the provisions of article 17.5 from Order 116/2013 of ANRE President approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the bonus payment for electricity generated by high efficiency cogeneration and paid monthly the cogeneration bonus to CET Govora.

Civil ruling 2430/05.10.2016 of the High Court of Cassation and Justice admitted the appeal filed by ANRE against civil ruling 3185/27.11.2015, partly cancelled the sentence appealed against and denied the suspension request of CET Govora, such decision being final. Thus beginning with 05.10.2016 the effects of ANRE Decision 738/28.03.2014 are no longer suspended, bearing full effects.

Under such circumstances the Company applies the provisions of article 17 para 5 of ANRE Order 116/ 2013 for mutual receivables and liabilities occurred after the insolvency procedure, meaning withholding the bonus due to CET Govora SA up to the concurrence of amounts related to the support scheme that were not paid to the Company. Transelectrica was registered in the Preliminary and final receivables table with total amount of 28,200,440.31, of which 25,557,189.98 relates to the support scheme. As regards the receivable amounting to 21,962,243.71 Lei representing principal and penalties related to invoice 8116/08.04.2016, it is registered under the suspensive condition of pronouncement of a final juridical decision in favour of ANRE under file 2428/2/2014 on the docket of the Appeal Court Bucharest, pertaining to cancelling ANRE decision 738/28.03.2014.

On the 18.07.2018 term Valcea Tribunal pronounced the following settlement:

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

- It set the substance term to continue the procedure on 8 October 2018.

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

Ruling 766/03.12.2018 of the Appeal Court Pitesti cancelled the amount of 28,013,984.83 representing a liability the Company registered in the Creditors' Table (File 1396/90/2016).

Under such circumstances the Company included the amount of 22,188,224.16 from the support scheme in the sundry debtors' account, which is analytically distinct - ANRE, and impacts the net position of the support scheme. The amount of 22,188,224.16 represents receivable payable by CET Govora under the support scheme (in sum of 25,557,189.98), corrected with the bonus amounting to 3,368,965.82 the Company withheld according to article 17 para 5 from Order 116/2013 of ANRE President.

Until the elaboration date of these financial statements ANRE has not approved the regulatory framework for financial closure of the support scheme, according to item 11 of HG 925/2016 amending and adding HG 1215/2009 establishing the criteria and conditions necessary to implement the support scheme to promote high efficiency cogeneration based on the demand of useful heat. In December 2021 ANRE subjected to public consultance a draft methodology for financial closure of such scheme.

Taking into account the provisions of HG 925/2016 with later amendments and additions provided above, in Note 1 the Company did not register impairment allowances for clients under the support scheme, as the unrecovered amount of such receivables will be included in the cogeneration contribution.

### **Other receivables**

On 31 December 2021 other receivables amounting to 189,968,790 mainly included:

- Sundry debtors (96,761,215), of which:
  - Delay penalties calculated to defaulting clients, amounting to 88,154,588 (of which 35,357,116 represent penalties of the support scheme). The greatest delay penalties were recorded for the following clients: RAAN (16,901,449), CET Govora (9,606,504), Electrocentrale Bucharest (9,409,174), Romelectro (8,915,423), Eco Energy SRL (8,909,843), Petprod SRL (8,894,655), Romelectro (8,915,423), Total Electric Oltenia (3,288,967), and OPCOM (2,183,707). Impairment allowances were calculated for late payment of receivables from operational activities;
  - Compensations owed by suppliers for not delivering electricity (Arelco Power 987,555) and Enol Group (2,541,312). Impairment allowances were registered for compensations owed by suppliers from operational activities;
  - Receivable to cash from OPCOM representing VAT for the contribution in kind to the subsidiary's capital, amounting to 4,517,460.
- Deferred expenses amounting to 5,799,817 mainly represented by: CPT procurement (4,677,523), rent and maintenance of office building (746,108), RCA & CASCO policies (188,434) and others;
- Other non-current receivables amounting to 4,256,718, of which 4,199,505 represent securities for temporary land

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occupation calculated and withheld in accordance with article 39 para (1), para (2) and para (5) of Law 46/2008 on the Forestry Code in view of achieving the 400 kV OHL Resita – Panchevo (Serbia) investment project;

- Other receivables amounting to 2,913,269 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***

On 31 December 2021 these are represented by debtor suppliers for service provision in sum of 701,351,443 and mainly represent amounts from the transactions of the price-coupling mechanism (ICP – *Interim Coupling Project*, SIDC - *Single Intraday Coupling* and SDAC - *Single Day-ahead Coupling*) (632,707,432 for ICP & SDAC and 66,988,841 for SIDC).

This price coupling mechanism was applied beginning with 19 November 2014, date when the ‘4 Markets Market Coupling’ project providing connection of the day-ahead electricity markets (DAM) from Romania, Hungary, Czech Republic and Slovakia became operational. On 17 June the Interim Coupling project was launched, meaning day-ahead markets coupling of the 4MMC countries with those from Poland, Austria and Germany.

Such price coupling mechanism of day-ahead markets means the electricity exchanges correlate the electricity transactions for the following day based on bids, taking into account the interconnection capacity made available by the TSO, whereby it is implicitly allocated. CNTEE Transelectrica SA as TSO transfers electricity both in physical and commercial terms to the neighbouring TSO (MAVIR, Hungary) and manages the congestion revenues on the respective interconnection (article 139 from ANRE Order 82/2014), while in relation to OPCOM SA it is Implicit Participant to the Day-Ahead Market.

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

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

The single intraday markets coupling mechanism provides uninterrupted harmonisation of sale and purchase offers from market participants of a bidding zone with the sale and purchase offers within their own bidding zone and from any other bidding zone where cross-border capacity is available.

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

28 October 2021 represents the start of the new successful SDAC *Single Day-ahead Coupling*, resulted from the cooperation between the Designated Electricity Market Operators (DEMO) and Transmission System Operators (TSO) from Bulgaria and Romania, namely IBEX EAD, OPCOM SA, ESO EAD and CN Transelectrica SA. The purpose of SDAC is to provide single cross-border day-ahead pan European market. An integrated day-ahead market grows the general transaction efficiency by promoting actual competition, higher liquidity and more efficient utilisation of generating resources in all Europe.

In capacity of transfer agent for Romania’s bidding area CNTEE Transelectrica SA has the task to settle electricity transacted between OPCOM SA and IBEX.

### ***VAT to recover***

Recoverable VAT (122,134,375) is an amount that has not been fully recovered until the elaboration date of these financial statements.

### ***Impairment allowances for trade receivables, doubtful trade receivables and other doubtful receivables***

Transelectrica’s policy consists in recording 100% impairment allowances for value losses for clients under disputes, insolvency and bankruptcy and 100% of trade receivables and other receivables not collected within 180 days, except for outstanding receivables generated by the support scheme. Also the Company makes individual analysis of trade receivables and other uncollected receivables.

The greatest impairment allowances on 31 December 2021, calculated for trade receivables and their associated penalties were recorded for CET Govora (24,911,438), Eco Energy SRL (24,736,066), Petprod SRL (23,539,650), Arelco Power (14,788,022), Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Romelectro SA (12,955,958), GETICA 95 (12,540,731), Elsaco Energy (9,276,118), and RAAN (8,516,707).

The Company took the following steps to recover such receivables adjusted for depreciation: court proceedings, registration in the creditors’ table, requesting explanations from ANAF (for the VAT amount to be cashed from Opcom) etc.

## **10. CASH AND CASH EQUIVALENTS**

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It includes cash balances, deposits on sight and deposits with initial maturities up to 90 days from constitution date, which have insignificant exposure to the risk of changed fair value and are used by the Company to manage current commitments.

On 31 December 2021 and 31 December 2020 cash and cash equivalents were as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
1. Current accounts in banks and deposits with initial maturities up to 90 days, of which:	<b>252,110,965</b>	<b>553,911,833</b>
a) <i>Current accounts in banks and deposits with initial maturities up to 90 days from current activities</i>	<i>39,926,219</i>	<i>283,219,064</i>
b) <i>Bank current accounts and deposits with initial maturities up to 90 days resctricted, of which:</i>	<i>212,184,746</i>	<i>270,692,769</i>
- Cash and deposits of high efficiency cogeneration	157,024,160	120,579,656
- Cash and deposits from revenues related to the allocation of interconnection capacities, used for network investments	3,154,664	103,175,219
- Cash from the connection fee	30,164,016	17,811,107
- European funds	287,049	12,073,753
- Other restricted accounts (securities on electricity markets and dividends)	21,554,857	17,053,034
2. Cash desk	<b>114,177</b>	<b>91,695</b>
3. Other cash equivalents	-	-
<b>Total</b>	<b>252,225,142</b>	<b>554,003,528</b>

**11. OTHER FINANCIAL ASSETS**

They include bank deposits with initial maturity beyond 90 days.

On 31 December 2021 and 31 December 2020 the other financial assets statement was the following:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Bank deposits with maturity beyond 90 days (constituted from revenues related to the allocation of interconnection capacities used for network investments)	-	-
<b>Total</b>	-	-

On 31 December 2021 there were no bank deposits constituted with initial maturity beyond 90 days.

**12. SHAREHOLDERS' EQUITIES*****Share capital***

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

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

In accordance with the provisions of HG 27/12 January 2017 on the organisation and operation of the Ministry of Economy, the Company operated under authority of the Ministry of Economy until 5 November 2019.

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

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with 6 November 2019 the Secretariat General of Government exercise the rights and fulfil the obligations ensuing from the state shareholder capacity for the National Power Grid Company Transelectrica SA.

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

On 31 December 2021 the shareholders of CNTEE Transelectrica SA were: the Romanian State represented by the Secretariat General of Government that holds 43,020,309 shares (58.69%), NN Group NV holding 4,007,688 shares (5.47%), PAVAL HOLDING having 4,753,567 shares (6.49%), other legal person shareholders holding 16,172,331 shares (22.05%) and other natural person shareholders holding 5,349,247 shares (7.30%).

At the end of each reporting period the Company's share capital subscribed and fully paid amounting to 733,031,420 is divided into 73,303,142 ordinary shares of 10 Lei/share nominal value each and it corresponds to the one recorded with the Office of the Trade Register.

On 31 December 2021 and 31 December 2020 the shareholders' structure was the following:

Shareholder	31 December 2021		31 December 2020	
	Number of shares	% of share capital	Number of shares	% of share capital
Romanian State through the SGG	43,020,309	58.69%	43,020,309	58.69%
Other legal person shareholders	16,172,331	22.05%	16,305,068	22.24%
PAVAL HOLDING	4,753,567	6.49%	4,753,567	6.49%
NN Group NV	4,007,688	5.47%	4,007,688	5.47%
Other natural person shareholders	5,349,247	7.30%	5,216,510	7.11%
<b>Total</b>	<b>73,303,142</b>	<b>100.00%</b>	<b>73,303,142</b>	<b>100.00%</b>

The Company recognises the changes into the share capital according to the conditions provided in applicable legislation only when they have been approved in the Shareholders' General Extraordinary Assembly and registered with the Trade Register Office.

On 31 December 2021 and 31 December 2020 the share capital was the following:

	31 December 2021	31 December 2020
Share capital (nominal)	733,031,420	733,031,420
<b>Share capital balance</b>	<b>733,031,420</b>	<b>733,031,420</b>

Shareholders are entitled to dividends and each share confers a voting right in Company's meetings.

The dividends value in 2020, distributed from net profit and retained earnings according to AGOA Decision 3/22.06.2021 amounted to 63,773,734. They were paid by means of the Central Depository beginning with 09 August 2021.

### Share premium

All shares issued under the share capital indexation held by the public initial primary offer in 2006 were subscribed and fully paid at issuance price. The share premium amounting to 49,842,552, namely the difference between the share issuance price and their nominal value was registered in the Company's reserve account.

### Legal reserves

They amounted to 137,926,619 on 31 December 2021 and to 137,832,724 on 31 December 2020; they represent legal reserves constituted according to applicable legislation and cannot be distributed.

The Company transfers to legal reserves at least 5% of the annual accounting profit (OUG 64/2001, Law 227/2015 and Law 31/1991) until the cumulated balance reaches 20% of the paid share capital.

### Revaluation reserves

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## CNTEE Transelectrica SA

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They amounted to 769,348,928 on 31 December 2021 and to 841,699,025 on 31 December 2020. The last revaluation of technical installations and transportation means was performed on 31 December 2019 by Co. JPA Audit & Consultancy SRL, independent valuator licensed by the National Union of Licensed Valuers of Romania.

### Other reserves

On 31 December 2021 they amounted to 31,145,250 compared to 17,441,687 on 31 December 2020. The increased balance of other reserves on 31 December 2021 compared to 31 December 2020 is mainly owed to subsidies received for:

- 5,695,650 – location extension of the 400 kV OHL Bacau Sud - Roman (installing 9 towers: 15, 16, 17, 17bis, 20, 21, 22, 22bis, and 35) and of the 400 kV OHL Gutinas - Bacau Sud (installing 2 towers: 152, and 153 bis);
- 3,458,188 – relocating high voltage networks, Sibiu - Pitesti Motorway, km 0+000 – km 14+150, Lot 1: km 0+000 – km 13+170, the 400 kV simple circuit Tantareni - Sibiu Sud; 3,045,396 – moving and protecting HV electricity networks (220 kV – 400 kV), Brasov - Cluj -Borş Motorway, section 1C: Sighisoara -Targu-Mures, Subsections 2 & 3 Targu-Mures - Ungheni - Ogra;
- 1,662,688 – by-passing the 400 kV simple circuit OHL Slatina - Draganesti Olt (towers 16, and 16 bis).

### Retained earnings

On 31 December 2021 it amounted to 1,633,807,204.

On 31 December 2021 the Company registered positive retained earnings mainly due to the transfer of revaluation reserves along non-current assets amortisement into retained earnings, in amount of 72,350,097.

On 31 December 2021 the actuarial profit registered in retained earnings amounted to 9,222,556. This sum resulted after application of provisions from IAS 19 – Employees' benefits (Note 15).

Out of the net accounting profit achieved on 31 December 2021 in amount of 449,891 a sum of **355,997** is distributed to “Other reserves”, which represents distributing to reserves the profit amount which benefitted of income tax exemption, less the part related to legal reserve, up to the concurrence of accounting profit registered at the end of the financial year according to the provisions of article 22 from Law 227/2015 on the Fiscal Code, with later amendmnets and additions.

### Distribution of net profit on 31 December 2021

The proposed distribution to legal destinations of the accounting profit left after income tax deduction on 31 December 2021 amounted to 449,891 as follows:

No.	Destination	Amount (Lei)
1	<b>Accounting profit left after income tax deduction on 31 December 2021</b>	<b>449,891</b>
	<i>Distribution of accounting profit to the following destinations:</i>	
a	Legal reserve (5%)	93,894
b	Other reserves representing fiscal facilities – tax exemption for reinvested profit	355,997
c	Other law-provided distributions - revenues achieved in 2021 from allocation of interconnection capacities (net of income tax and legal reserve)	-
2	<b>Profit remaining for distribution (1-a-b-c)</b>	<b>-</b>
d	Employees' participation to profit	-
e	Dividends owed to shareholders	-
f	Other reserves constituted as one's financing sources	-
g	Profit not distributed	-
3	<b>Total distributions (a+b+c+e+f)</b>	<b>449,891</b>

The proposed distribution of accounting profit left after income tax deduction on 31 December 2021 was performed in accordance with the provisions of applicable legislation, namely:

- OG 64/2001 – on profit distribution in national societies, national companies and trading companies with full or majority state capital, and in independent authorities, approved with amendments by Law 769/2001, with later amendments and additions;



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- OMFP 144/2005 – approving the Specifications to determine amounts used in profit distribution according to OG 64/2001 on profit distribution in national societies, national companies and trading companies with full or majority state capital, and in independent authorities, approved with amendments by Law 769/2001, with later amendments and additions;
- OMFP 128/2005 regarding cerating accounting regulations applicable to economic agents;
- Law 227/2015 on the Fiscal Code, with later amendments and additions;
- Regulation (EC) 714/2009 of the European Parliament and of the Council of 13 July 2009 regarding network access conditions for cross-border electricity exchanges and cancelling Regulation (EC) 1228/2003;
- ANRE Order 171/2019, with later amendments and additions approving the Methodology establishing tariffs of electricity transmission services;
- Referral paper approving the average tariffs of transmission services, tariff components when introducing electricity into the grid (Tg) and when taking out electricity from the grid (TI) and the price of reactive electricity for CNTEE Transelectrica SA, valid as of 1 January 2020, transmitted by ANRE with letter 1000068/14.12.2020;
- The Revenues and expense budget approved by AGA Decision 2/29.04.2021;

Thus, the 2021 accounting profit left after income tax deduction is distributed to the following destinations:

- a) *Legal reserve amounting to 93,894* - determined at 5% according to the provisions of article 26 para (1) lit. a) of Law 227/2015 on the Fiscal Code, with later amendments and additions and of Law 31/1991 on trading companies;
- b) *Other reserves representing law-provided fiscal facilities amounting to 355,997* - represented by tax exemption of reinvested profit according to the provisions of article 22 from Law 227/2015 on the Fiscal Code, with later amendments and additions.

**13. DEFERRED REVENUES**

Non-current and current deferred revenues are mainly represented by: connection fee, other subsidies for investments, non-returnable European funds from the Ministry of European Funds, and revenues from the utilisation of interconnection capacities.

On 31 December 2021 **deferred revenues** were as follows:

	<b>31 December 2021</b>	<b>Of which: current portion on 31.12.2021</b>	<b>31 December 2020</b>	<b>Of which: current portion on 31.12.2020</b>
Deferred revenues – allocation of interconnection capacity	7,649,266	7,649,266	2,673,159	2,673,159
Deferred revenues - European funds	2,076,417	2,076,417	1,410,938	1,410,938
Funds from connection fee	260,879,623	14,814,156	258,086,562	16,999,239
European funds	178,667,003	6,137,909	92,135,137	6,947,974
Other subsidies	25,742,927	903,440	26,576,078	821,926
<b>Total</b>	<b>475,015,236</b>	<b>31,581,188</b>	<b>380,881,874</b>	<b>28,853,237</b>

The development of **current deferred revenues** in 2021 was the following:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Balance at the beginning of the period	28,853,237	37,209,745
Deferred proceeds related to the interconnection capacity	38,428,451	53,932,210
Proceeds from European funds	1,091,813	311,139
Transfer from non-current deferred revenues	(2,913,635)	(3,929,590)
Revenues from the utilisation of interconnection capacity	(33,452,345)	(57,015,831)
Revenues from European funds	(426,333)	(1,654,436)
<b>Total</b>	<b>31,581,188</b>	<b>28,853,237</b>

The development of **non-current deferred revenues** in 2021 was the following:

<b>31 December 2021</b>	<b>31 December 2020</b>
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Balance at the beginning of the period	352,028,637	360,641,212
Connection subsidies	3,660,512	6,673,474
Non-returnable funds	(93,133,164)	(33,388)
Non-returnable funds to repay	-	-
Transfer into current deferred revenues	203,482,936	7,393,324
Resuming subsidies to revenues	(22,604,873)	(22,645,985)
<b>Total</b>	<b>443,434,048</b>	<b>352,028,637</b>

**14. BORROWINGS***Non-current loans*

On 31 December 2021 and 31 December 2020 the balance of non-current loans - contracted from credit institutions was the following:

Description	31 December 2021	31 December 2020
EIB 25709 (i)	47,648,371	58,613,148
EIB 25710 (i)	55,666,125	66,538,062
<b>Total non-current loans from credit institutions, of which:</b>	<b>103,314,496</b>	<b>125,151,210</b>
<b>Less: Current portion of non-current loans</b>	<b>(23,859,428)</b>	<b>(23,479,941)</b>
<b>Total non-current loans, net of current installments</b>	<b>79,455,068</b>	<b>101,671,269</b>

On 31.12.2021 non-current loans were as follows:

No.	Loan name	Granted on	Loan amount (hard currency)	Balance on 31.12.2021 (hard currency)	Balance on 31.12.2021 (RON)	Interest rate	Maturity according to loan
1	EIB 25709	05.08.2010	32,500,000.00 EUR	9,629,630 EUR	47,648,371	3.596%	10.09.2025
2	EIB 25710	05.08.2010	32,500,000.00 EUR	11,250,000 EUR	55,666,125	3.856% & 2.847%	11.04.2028
<b>TOTAL</b>					<b>103,314,496</b>		

Non-current borrowings are detailed as follows:

*a) and b) Loan granted by the European Investment Bank (BEI)*

Loans EIB 25709 and EIB 25710 were provided by EIB on 5 August 2010 to upgrade and rehabilitate Romania's Electricity Transmission Grid. Each loan amounted to 32,500,000 EUR.

Loan 25709 has not been secured, while loan 25710 was secured by BNP Paribas SA, Bucharest Subsidiary. There is 15 years' repayment period, with 2 years grace. Repayment began in 2012 and will continue until 2025 for EIB loan 25709 (on 10 March and 10 September each year) and in 2013 until 2028 for EIB loan 25710 (on 11 April and 11 October each year). Interest rate is 3.596% for EIB 25709, and 3.856% & 2.847% for EIB 25710.

The amount owed on 31 December 2021 under EIB 25709 was 9,629,630 EUR and under EIB 25710 - 11,250,000 EUR.

Loan agreement EIB 25709 includes certain financial clauses: (i) the ratio between EBITDA and interest rates of non-current loans paid during the year should be at least 4.2; (ii) the ratio between non-current liabilities and shareholders' equities should not exceed 0.95; (iii) the ratio between total net liability and EBITDA should be maximum 3.5.

Loan BEI 25710 has been secured by BNP Paribas SA, Bucharest Subsidiary. The indemnity contract was concluded on 20.12.2019 for 3 years. This contract provides 0.40% per annum indemnity fee calculated at 115% upon the credit amount remaining to be repaid.

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On 31 December 2021 financial indicators associated to credit contracts were fulfilled.

The non-current portion of loans will be repaid as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Between 1 and 2 years	23,859,428	23,479,942
Between 2 and 5 years	54,168,304	70,439,826
Beyond 5 years	1,427,336	7,751,501
<b>Total</b>	<b>79,455,068</b>	<b>101,671,269</b>

The Company did not cover against risks associated to its hard currency liabilities or its exposure to the interest rate risk.  
All non-current loans on balance on 31.12.2021 bear fixed interest.

**Current loans**

They are detailed as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Current portion of non-current loans	23,859,428	23,479,941
Account overdraft	-	-
Interest rates of non-current & current loans	1,012,535	1,229,864
<b>Total current loans</b>	<b>24,871,963</b>	<b>24,709,805</b>

- Loans contracted for current activities*

On 12.03.2020 Transelectrica concluded credit contract C52 with Banca Transilvania for 12 months to finance the bonus type support scheme for high efficiency cogeneration as account overdraft amounting to 175,000,000, with interest calculated depending on the reference ROBOR 1M rate, which is added negative 0.35% margin. In case the reference ROBOR 1M rate is below 0.35%, the interest applied is 0%.

The credit line was secured by means of:

- Chattel mortgage on the bank account opened with the bank;
- Chattel mortgage on the receivables resulting from contracts on the contribution for high efficiency cogeneration concluded with Cez Vanzare SA, E.ON Energy Romania SA, Enel Energy SA, SC Tinmar Energy SA, and Enel Energy Muntenia SA.

The contract ended on 11.03.2021.

On 02.04.2021 Transelectrica concluded credit contract C86 with UniCredit Bank for 12 months to finance the bonus type support scheme for high efficiency cogeneration as account overdraft amounting to 175,000,000, with interest calculated depending on the reference ROBOR 1M rate, which is added 0% margin.

The credit line was secured by means of:

- Chattel mortgage on the bank account opened with the bank;
- Chattel mortgage on the receivables resulting from contracts on the contribution for high efficiency cogeneration concluded with Electrica Furnizare SA, Enel Energy SA, Cez Vanzare SA, Getica 95 Com SRL, and Enel Energy Muntenia SA.

On 31 December 2021 the credit line was not used.

**15. OBLIGATIONS REGARDING EMPLOYEES' BENEFITS**

In accordance with HG 1041/2003 and 1461/2003 the Company provides benefits in kind as free electricity for retired people from the predecessor entity.

The attached notes are integrant parts of these stand-alone financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

Also in accordance with the collective labour contract the Company provides long-term benefits both to employees, depending on labour seniority and Company seniority, and to former employees after retirement. Benefits provided to employees with managerial positions are shown in Nota 28 - *Salaries of Company management*.

The long-term benefits provided by the Company include the following:

- Retirement awards from 1 to 5 gross monthly salaries depending on Company seniority on retirement date;
- Jubiliary awards from 1 to 5 gross monthly salaries depending on Company seniority;
- Free electricity amounting to 1,200 kWh/year, after retirement;

Actuarial calculations regarding post-employment benefits and other long-term benefits were determined by licensed actuary under a service contract concluded with SC CASIANIS BUCURESTI SRL.

The obligations regarding employees' benefits were the following:

	<b><u>31 December 2021</u></b>	<b><u>31 December 2020</u></b>
Jubiliary awards	29,065,500	29,008,682
Retirement premiums	15,185,244	16,858,857
Free electricity granted to current and retired employees	15,622,709	26,695,075
Benefits for labour contract termination	-	-
Maternity premiums	86,928	78,376
<b>Total</b>	<b><u>59,960,381</u></b>	<b><u>72,641,000</u></b>

On 31 December 2021 and 31 December 2020 the Company had obligations regarding employees' long-term benefits amounting to 59,960,381, namely to 72,641,000.

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)***15. OBLIGATIONS REGARDING EMPLOYEES' BENEFITS (continued)**

	<b>31 December 2020</b>	<b>Interest cost</b>	<b>Cost of past service</b>	<b>Cost of current service</b>	<b>Payments of provision</b>	<b>Actuarial gain of the period</b>	<b>31 December 2021</b>
Jubilee benefits to be granted to current employees	29,008,682	794,463	-	7,508,332	(2,704,617)	(5,541,360)	<b>29,065,500</b>
Benefits for maternity leaves to be granted to current employees	78,376	2,888	-	12,762	(385,041)	377,943	<b>86,928</b>
Benefits relating to bonuses granted upon current employees' retirement	16,858,867	376,598	-	762,073	(1,441,784)	(1,370,510)	<b>15,185,244</b>
Benefits related to premiums granted for labour contract termination	-	-	-	-	-	-	-
Benefits relating to electricity amounts to be paid to current employees after retirement	10,862,746	157,703	(3,738,896)	359,185	-	(2,032,407)	<b>5,608,331</b>
Benefits relating to electricity amounts to be paid for current retired employees	15,832,329	282,528	(6,676,252)	2,275,493	(1,043,498)	(656,222)	<b>10,014,378</b>
	<b>72,641,000</b>	<b>1,614,180</b>	<b>(10,415,148)</b>	<b>10,917,845</b>	<b>(5,574,940)</b>	<b>(9,222,556)</b>	<b>59,960,381</b>

The attached notes are integrant parts of these stand-alone financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)***16. TRADE AND OTHER LIABILITIES**

On 31 December 2021 and 31 December 2020 trade and other liabilities were the following:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Suppliers - the electricity market	1,893,042,316	468,110,907
Asset suppliers	158,369,109	112,384,086
Suppliers of other activities	38,990,780	30,539,187
Amounts owed to employees	8,675,618	9,364,190
Other liabilities	965,489,650	305,527,391
<b>Total</b>	<b>3,064,567,473</b>	<b>925,925,761</b>

On 31 December 2021 and 31 December 2020 liabilities on balance on the electricity market amounted to 1,893,042,316, namely to 468,110,907 and were structured as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Suppliers on the electricity market, of which:		
- Suppliers - operational activity - energy	1,125,210,670	178,658,686
- Suppliers - the balancing market	549,941,350	140,354,564
- Suppliers of the bonus type support scheme to promote high efficiency cogeneration	217,890,296	149,097,657
<b>Total</b>	<b>1,893,042,316</b>	<b>468,110,907</b>

Suppliers on the electricity market are mainly represented by: Hidroelectrica SA, MAVIR, OPCOM, IBEX, Co. 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 electricity suppliers.

The greater liability balance from operational activities was mainly determined by paying in quarter 1, 2022 the payment liabilities on balance on 31 December 2021, mainly resulting from electricity markets coupling.

The greater balance of liabilities for the balancing market was determined by higher volume of transactions registered on balance in December 2021, compared to December 2020.

The higher liabilities under the support scheme to suppliers (producers) was determined by indexed monthly bonus for high efficiency cogeneration in quarter 4, 2021 compared to quarter 4, 2020.

On 31 December 2021 payment liabilities to suppliers (producers) amounting to 35,549,294 were recirded (RAAN – 32,180,328 and CET Govora SA – 3,368,966), representing the monthly cogeneration bonus, ex-ante overcompensation in 2014 and 2015, and bonus unpaid for 2015. The amounts representing Company liabilities under the support scheme to RAAN and CET Govora were withheld according to article 17 para 5 from Order 116/2013 of ANRE president, because the suppliers (producers) registered liabilities to the Company under the bonus type support scheme.

The Company requested the suppliers (producers) that did not pay the overcompensation invoices their agreement to compensate mutual liabilities at minimum level by means of the Institute of Management and Informatics (IMI), which is uniformly managing all information received from tax-payers according to the provisions of HG 685/1999.

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

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

In accordance with such Agreement the Company's receivables collectable from CET Govora SA were compensated with its liabilities to CET Govora SA, represented by cogeneration bonus for May 2014 – October 2015 amounting to 40,507,669

The attached notes are integrant parts of these stand-alone financial statements

## CNTEE Transelectrica SA

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

(All amounts are expressed in LEI, unless otherwise provided)

withheld by applying the provisions of article 17 para 5 from Order 116/2013 of ANRE President and the Agreement provisions.

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

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

The higher balance of “asset suppliers” on 31 December 2021 compared to 31 December 2020 was mainly owed to higher investment volume, namely contracts in progress invoiced by the suppliers of assets.

Liabilities to the “suppliers of other activities” are mainly represented by liabilities associated to services provided by third parties which did not reach due date, but such liabilities increased in comparison with 31 December 2020.

On 31 December 2021 the Company did not register outstanding liabilities to suppliers, the state budget or local institutions.

Liabilities registered under “other liabilities” were structured as follows:

	31 December 2021	31 December 2020
Sundry creditors	145,712,314	162,823,402
Client - creditors	751,982,307	66,357,754
Dividends to pay	234,188	191,175
Liabilities - short-term building leasing	8,273,431	7,416,569
Liabilities - long-term building leasing	22,751,934	30,531,904
Other liabilities	36,535,476	38,206,587
<b>Total</b>	<b>965,489,650</b>	<b>305,527,391</b>

- “Sundry creditors” amounted to 145,712,314 on 31 December 2021, mainly representing:

- The net position of the support scheme for high efficiency cogeneration in amount of 138,654,050, a liability position;

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

- The contribution to be collected from the suppliers of electricity consumers; overcompensation of electricity and heat generation under high efficiency cogeneration; the undue bonus collectable from producers according to ANRE decisions, on the one hand, and
- The cogeneration bonus, the ex-ante overcompensation and unpaid bonus to be paid to electricity producers under high efficiency cogeneration, beneficiaries of the support scheme on the other hand.

- 3,682,086 under study contracts for RET connection; 923,737 studies for the synchronous interconnection of power systems from Ukraine and Republic Moldova with the European continental system; 1,179,251 royalty in quarter 3, 2021 and others.

- “Client creditors” on 31 December 2021 amounted to 751,982,307, of which 751,621,026 are deferred proceeds from OPCOM (545,872,810), MAVIR (202,496,166) and IBEX (3,252,050) under transactions related to the price-coupling mechanism, ICP (Interim Coupling Project), SIDC (Single Intraday Coupling) and SDAC (Single Day-ahead Coupling).

- On 31 December 2021 dividends owed to Company shareholders and unpaid amounted to 234,188. These amounts are at the shareholders’ disposal through the payment agent.

- On 31 December 2021 the **liability for assets associated to the right of use under a lease - buildings**, according to the provisions of IFRS 16 – Leasing Contracts amounted to 31,025,365, of which:

- Current liability: 8,273,431;
- Non-current liability: 22,751,934.

- “Other liabilities” amounting to 36,535,476 are mainly represented by the performance bonds on contracts from the

The attached notes are integral parts of these stand-alone financial statements

## CNTEE Transelectrica SA

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

(All amounts are expressed in LEI, unless otherwise provided)

electricity market concluded by CNTEE Transelectrica SA in sum of 21,903,217 and non-demandable VAT during the reporting period, in sum of 14,404,854.

### Provisions

On 31 December 2021 and 31 December 2020 provisions were as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Provisions for disputes	31,199,387	50,441,491
Provisions for mandate contracts	20,478,148	33,232,691
Other provisions	11,425	7,890,176
<b>TOTAL</b>	<b>51,688,960</b>	<b>91,564,358</b>

Provisions for disputes on balance on 31.12.2021 amounted to 31,199,387 and are mainly represented by provisions constituted for the following:

- *File 36755/3/2018 – claimant Conaid Company SRL (17,216,093)* - more details about this file are provided in Note 26 – Commitments and contingencies.
- *Files 105/2/2017 and 2494/115/2018\* (10.648.829) - claimant Resita City*

Through its summons the claimant requested compelling defendant CNTEE Transelectrica SA to pay the following amounts:

- 2,129,765.86 Lei representing rent for the land temporarily taken up from the forest fund in 2015;
- 2,129,765.86 Lei representing land rent for 2016;
- 2,129,765.86 Lei representing land rent for 2018;
- 2,129,765.86 Lei representing land rent for 2019;
- 2,129,765.86 Lei representing land rent for 2020;
- Legal penalty interest from due date until actual payment;
- Law court expenses.

More details about this file are provided in Note 26 – Commitments and contingencies.

- *File 3083/3/2020 - claimant NUCLEARELECTRICA SA (1,472,785)*

On 26.06.2020 Nuclearelectrica summoned the Company to pay 1,290,533.156 Lei representing negative imbalance and 182,251.94 Lei legal interest.

After several terms of case deferral (26.06.2020, 16.10.2020, and 11.12.2020) for various reasons, on the 22.12.2020 term the court compelled the Company to pay the claimant 1,290,533.156 Lei, as compensatory damages; to pay the update of such amount by the inflation rate as of 27.09.2018 until actual payment; to pay 182,251.94 Lei representing legal penalty interest calculated from 27.09.2018 until 31.01.2020, and further paying the legal penalty interest, calculated from 01.02.2020 until actual payment date. Also, it compelled the defendant to pay 23,441.66 Lei to the claimant as law suit expenses, being judiciary stamp tax. It denied as groundless the defendant's request to be paid law suit expenses; appeal granted within 30 days from notification (Ruling 2698/2020 / 22.12.2020). Transelectrica SA filed appeal with the Appeal Court Bucharest, expecting now law court notification.

At the same time on 31 December 2021 the Company has constituted provision in sum of 20,478,148, of which 19,126,852 represents the variable component of OAVT packages allocated and not capitalised during the mandate terms of executive and non-executive administrators in 2013-2017.

## 17. INCOME TAX

The attached notes are integrant parts of these stand-alone financial statements



**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

In 2021 and 2020 it was the following:

	<b>2021</b>	<b>2020</b>
Expense of current income tax and deferred tax	(20,326,137)	(69,047,515)
Revenues from the deferred tax profit	18,898,139	39,272,115
<b>Total</b>	<b>(1,427,998)</b>	<b>(29,775,400)</b>

The Company's 2021 and 2020 current and deferred income tax was determined at 16% statutory rate, applicable in 2021 and 2020.

Reconciliation of the actual taxation rate:

	<b>2021</b>	<b>2020</b>
Income tax at statutory rate of 16%	571,588	30,902,483
Effect of non-deductible expenses	18,098,200	27,208,437
Effect of non-taxable revenues	(14,310,025)	(10,265,603)
Reserve from taxable revaluation	16,395,593	23,777,135
Legal reserve	(15,023)	(1,397,858)
Exempted income tax	(1,046,364)	(8,771,251)
Other effects	(16,571,432)	(13,269,645)
<b>Total</b>	<b>(3,122,537)</b>	<b>(48,183,698)</b>

The attached notes are integrant parts of these stand-alone financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

(All amounts are expressed in LEI, unless otherwise provided)

**17. INCOME TAX (continued)**

The development table of liabilities regarding deferred taxes in 2021 and 2020 is the following:

Elements	Balance on 1 January 2020	Recognised in profit and loss	Directly recognised in AERG	Balance on 31 December 2020	Recognised in profit and loss	Directly recognised in AERG	Balance on 31 December 2021
Tangible assets - lifetimes	6,370,495	19,543,314	-	<b>25,913,809</b>	10,391,601	-	<b>36,305,410</b>
Tangible assets - revaluation reserves	142,945,230	(23,755,356)	534,309	<b>119,724,183</b>	(16,426,739)	-	<b>103,297,444</b>
Tangible assets financed from subsidies	(2,665,120)	(1,263,576)	-	<b>(3,928,696)</b>	(1,141,435)	-	<b>(5,070,131)</b>
Obligations regarding employees' benefits	(1,830,357)	(9,792,203)	-	<b>(11,622,560)</b>	2,082,899	-	<b>(9,539,661)</b>
Employees' participation to profit	-	(626,800)	-	<b>(626,800)</b>	626,800	-	-
Estimated of interconnection	(1,189,689)	901,689	-	<b>(288,000)</b>	(136,000)	-	<b>(424,000)</b>
Provisions for disputes	(6,776,753)	(1,293,886)	-	<b>(8,070,639)</b>	3,078,737	-	<b>(4,991,902)</b>
Mandate contracts	-	(89,465)	-	<b>(89,465)</b>	89,465	-	-
Allowances, inventories	-	(1,973,953)	-	<b>(1,973,953)</b>	(259,867)	-	<b>(2,233,820)</b>
<b>Tax (asset) / liability</b>	<b>136,853.806</b>	<b>(18,350,236)</b>	<b>534,309</b>	<b>119,037,879</b>	<b>(1,694,539)</b>	-	<b>117,343,340</b>

Deferred tax is constituted of:

	Asset		Liability		Net	
	31-dec-21	31-dec-20	31-dec-21	31-dec-20	31-dec-21	31-dec-20
Tangible assets - lifetimes	(2,970,400)	(1,299,324)	39,275,810	27,213,133	36,305,410	25,913,809
Tangible assets - revaluation reserves	(16,426,739)	(23,755,356)	119,724,183	143,479,538	103,297,444	119,724,183
Tangible assets financed from subsidies	(1,188,032)	(1,284,766)	(3,882,099)	(2,643,930)	(5,070,131)	(3,928,696)
Obligations regarding employees' benefits	(9,539,661)	(11,622,560)	-	-	(9,539,661)	(11,622,560)
Employees' participation to profit	-	(626,800)	-	-	-	(626,800)
Estimated of interconnection	(424,000)	(288,000)	-	-	(424,000)	(288,000)
Provisions for disputes	(4,991,902)	(8,070,639)	-	-	(4,991,902)	(8,070,639)
Mandate ontracts	-	(89,465)	-	-	-	(89,465)
Allowances, inventories	(2,233,820)	(1,973,953)	-	-	(2,233,820)	(1,973,953)
<b>Net tax (asset) / liability</b>	<b>(37,774,554)</b>	<b>(49,010,863)</b>	<b>155,117,894</b>	<b>168,048,742</b>	<b>117,343,340</b>	<b>119,037,879</b>

The attached notes are integrant parts of these stand-alone financial statements

**CNTEE TRANSELECTRICA SA**

Note explicative la situațiile financiare pentru exercițiul financiar încheiat la 31 decembrie 2021  
(Toate sumele sunt exprimate în LEI, dacă nu este indicat altfel)

**18. RESULT PER SHARE**

On 31 December 2021 and on 31 December 2020 the result per share was:

	<b>2021</b>	<b>2020</b>
<b>Result of the financial year</b>	<b>449.891</b>	<b>144.956.820</b>
Number of ordinary shares at the beginning & end of the period	73.303.142	73.303.142
<b>Basic result and diluted per share (Lei / share)</b>	<b>0,006</b>	<b>1,977</b>

**19. OTHER TAX AND SOCIAL SECURITY LIABILITIES**

On 31 December 2021 and 31 December 2020 other tax and social security liabilities included:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Contribution to social security funds	10,987,591	13,542,683
Salary tax	1,966,512	2,465,884
Other payable taxes	1,369,558	1,002,862
<b>Total</b>	<b>14,323,661</b>	<b>17,001,429</b>

On 31 December 2021 the Company registered payment liabilities for contributions to social security funds, salary tax and other taxes, liabilities which were paid in January 2022.

**20. OPERATIONAL REVENUES**

They include the revenues achieved by the Company's provision of transmission and system services on the electricity market, from the allocation of interconnection capacities, balancing market operation services and other revenues.

ANRE-approved tariffs for services provided on the electricity market were as follows:

	Average tariff for transmission services	Tariff of technological system services	Tariff of functional system services
Order 10/24.02.2021 for 01 March – 31 December 2021	20.55	10.82	-
Order 214/09.12.2020 for 01 January – 28 February 2021	20.55	11.96	-
Order 142/29.06.2020 for 01 July – 31 December 2020	17.97	11.96	2.49
Order 10/15.01.2020 for 16 January – 30 June 2020	17.97	13.05	1.84
Order 218/11.12.2019 for 01 January – 15 January 2020	18.33	13.05	1.84

In 2020 with a view to implement the new package of European regulations, especially Regulation (EU) 2019/943 and Regulation (EU) 2017/2195, harmonisation was provided to the methodologies establishing tariffs for electricity transmission and system service tariffs, namely *Methodology establishing tariffs for electricity transmission services*, approved by ANRE Order 171/2019 and the *Methodology establishing tariffs for system services*, approved by ANRE Order 45/2017, with later amendments, with the fore-mentioned European regulations.

In this respect ANRE Order 153/2020 amending and adding the *Methodology establishing tariffs for electricity transmission services*, approved by ANRE Order 171/2019 integrated the functional system service component into transmission services, such integration being possible because the principles and rules establishing revenues and tariffs are similar.

At the same time ANRE Order 180/2020 amended the *Methodology establishing tariffs for system services*, approved by ANRE Order 45/2017, with later amendments, namely it removed the provisions regarding the principles and rules establishing tariffs of functional system services, which were taken over in ANRE Order 153/2020.

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Explanatory notes to the financial statements of the financial year ended on 31 December 2021

(All amounts are expressed in LEI, unless otherwise provided)

Under such circumstances ANRE Order 214/2020, amended by ANRE Order 10/2021 approved the average transmission service tariff (also integrating the component of functional system services) and the tariff of system services beginning with 1 January 2021.

The average electricity transmission tariff has two components: tariff of electricity introduction into the network ( $T_G$ ) and tariff of electricity taken out of the network ( $T_L$ ).

Zone transmission tariffs for electricity introduction into the grid ( $T_G$ ) and for electricity taking out of the grid ( $T_L$ ) were approved by ANRE Order 214/2020 beginning with 1 January 2021.

The quantity of electricity delivered to consumers which was applied tariffs of services provided on the electricity market was the following:

	<b>2021</b>	<b>2020</b>
Electricity quantity delivered to consumers (MWh)	<u>56,353,023</u>	<u>53,849,411</u>

Operational revenues achieved in 2021 and 2020 are as follows:

	<b>2021</b>	<b>2020</b>
Transmission revenues	1,151,786,400	963,062,873
Revenues from the allocation of interconnection capacities	64,727,434	58,725,474
Reactive power revenues	661,989	653,510
Inter TSO Compensation (ITC) revenues	3,276,345	3,518,246
Revenues of CPT transactions	31,834,065	9,290,011
<b>Transmission revenues – total</b>	<b><u>1,252,286,233</u></b>	<b><u>1,035,250,114</u></b>
Revenues of functional system services	-	117,016,561
Revenues of technological system services	622,888,181	674,057,008
Revenues with unplanned exchanges on the DAM	832,233	3,952,637
<b>System service revenues – total</b>	<b><u>623,720,414</u></b>	<b><u>795,026,206</u></b>
Balancing market revenues	1,822,563,918	494,999,492
Other revenues	56,969,232	42,119,650
<b>Total revenues</b>	<b><u>3,755,539,797</u></b>	<b><u>2,367,395,462</u></b>

*Transmission revenues; revenues from functional system services*

Taking into account the integration of the functional system service component into transmission services beginning with 1 January 2021, the amount of transmission services from 2020 will be cumulated with the amount of functional system services in order to be able to compare 2021 and 2020.

Thus, transmission revenues increased by 71,706,966 in 2021 compared to 2020, determined by 4.65% higher electricity quantity delivered to consumers, namely 2,503,612 MWh and by higher average transmission tariff approved by ANRE (according to the fore-mentioned table of ANRE-approved tariffs in previous time periods).

*Revenues from the allocation of interconnection capacities*

These increased by 6,001,960 in 2021 compared to 2020, corresponding to the utilisation of available interconnection capacities by the traders on the electricity market.

The market allocating the interconnection capacities is fluctuating and prices develop depending on the demand and need of participants on the electricity market to procure interconnection capacity. Also, the unit price of electricity increased in all the European Union.

The allocation mechanism of interconnection capacities consists in organising annual, monthly, daily and intraday bids. The annual, monthly and intraday bids (only on the Serbian border) are explicit - as only the transmission capacity is auctioned, while the daily ones (Hungarian border) and intraday ones (Hungarian & Bulgarian frontiers) are implicit - capacity is simultaneously allocated with electricity through the coupling mechanism.

Since beginning with 19 November 2014 a regional power exchange was established by Romania, Hungary, the Czech Republic and Slovakia, the assumption is to have these four countries reaching to a single price of electricity transacted on spot markets. Capacity allocation between Romania and Hungary, the only country of the other 3 Romania has frontier with is carried out by transporters: Transelectrica and MAVIR by common mechanism under a bilateral agreement. On 17 June 2021

The attached notes are integral parts of these stand-alone financial statements

## CNTEE Transelectrica SA

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

(All amounts are expressed in LEI, unless otherwise provided)

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the Interim Coupling project was launched, which means day-ahead markets coupling of the 4MMC countries with those of Poland, Austria and Germany.

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

On November 2019 the 2<sup>nd</sup> wave was launched under the single European solution for intraday markets coupling (SIDC – Single Intraday Coupling). The single intraday markets coupling mechanism provides continuous harmonisation (matching) of sale and purchase offers from market participants of a bidding zone with the sale / purchase offers within their own bidding zones and any other bidding zone where cross-border capacity is available. Thus explicit intraday bids are performed only on the Serbian border, being implicit on the Bulgarian and Hungarian ones (within SIDC).

Net revenues from the allocation of interconnection capacities are utilised in accordance with the provisions of ANRE Order 171/2019 and of Regulation (EU)2019/943 of 5 June 2019 regarding the internal electricity market as financing source of investments to upgrade and develop the interconnection capacities with neighbouring systems.

### *Inter TSO Compensation (ITC) revenues*

In 2021 these were lower by 241,901 in comparison with 2020, taking into account the revenues resulting from electricity flows distribution Europe-wide and the variation of scheduled electricity exchanges with Ukraine.

### *Revenues of CPT transactions*

Such CPT transaction revenues were mainly obtained by selling excess electricity on the Intraday Market managed by OPCOM and under BRP CIGA Energy on the Balancing market. These revenues were higher in 2021 compared to 2020 in amount of 22,544,054 due to:

- New rules on the balancing market, the legislative changes occurred on the electricity balancing market applicable as of 1 February 2021 (settlement made at 15 minutes, a single settlement price applied on the balancing market);
- Higher volume of transactions on the Intraday Market;
- Higher electricity prices on all markets;
- The development of Covid-19 pandemic and its nation-wide management;

### *Revenues from technological system services*

Such revenues registered drop by 51,168,827 in 2021 compared to 2020, determined by diminished ANRE approved tariff of such services (according to the fore-mentioned table of ANRE-approved tariffs in previous time periods), while the electricity quantity delivered to consumers increased 4.65%, namely 2,503,612 MWh.

The regulatory framework of technological system services contains regularisation mechanisms compensating the revenue excess or deficit compared to the expenses necessary to execute such activities. Thus, according to ANRE regulations, the revenue surplus / deficit compared to recognised costs resulting from such activities will be compensated by ex-post (negative / positive) tariff correction, which ANRE applies in the tariff of the years following that when such surplus / deficit was recorded. The revenue surplus / deficit compared to costs resulting from such activities are calculated during tariff scheduling periods.

### *Balancing market revenues*

They increased by 1,327,564,426 in 2021 compared to 2020, mainly determined by:

- Regulatory issues:
  - Bidding limits were removed from the balancing market according to the *Regulation to schedule dispatchable generating units, the dispatchable consumers and dispatchable storage installations*, the *Regulation on the operation and settlement of the balancing market*, and the *Regulation on the calculation and settlement of imbalances of balancing responsible parties* approved by ANRE Order 61/31.03.2020;
  - Eliminating the obligation to participate on the balancing market according to the *Regulation on the operation and settlement of the balancing market – single imbalance price* and amending other orders of the President of the National Regulatory Authority in Energy, approved by ANRE Order 213/25.11.2020;
  - The balancing market has adopted the settlement interval of 15 minutes;
  - Beginning with 01 February 2021 a single settlement price has been applied on the balancing market;
  - Beginning with 1 June 2021 a new set of common settlement rules was applied for scheduled and unplanned electricity exchanges (FSKAR calculation methodology – Financial Settlement of kΔf, ACE and Ramping Period) providing financial settlement between Transmission System Operators and thus removing the compensations in kind determined by the Settlement Centres of Brauweiler (Germany) and Laufenburg (Switzerland) according to ENTSO-E's methodology, which CNTEE Transelectrica SA transacted on the Day-Ahead Market. The respective Settlement

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Centres will transmit results to each Transmission System Operator as daily files containing the scheduled and unplanned exchanges (quantities – prices) calculated for such Transmission System Operator in each settlement interval. The established price is the weighted average of transaction prices on the Day-Ahead Markets of all ENTSO-E member states, prices being expressed in Euro/MWh. Costs and revenues included in the invoice received from JAO settling unplanned electricity exchanges will be included in the settlement calculation on the Balancing Market according to the provisions of ANRE Order 33/2021 amending and adding the Regulation to calculate and settle imbalances of balancing responsible parties – single imbalance price approved by ANRE Order 213/2020.

Revenues, namely expenses related to scheduled and unplanned electricity exchanges (FSKAR-UE) were registered in 2021 under revenue / expense elements for unplanned exchanges on the DAM, which in December 2021 were reclassified and recorded under revenue indicators on the electricity market, while scheduled and unplanned exchanges were registered under the settlement mechanism of the balancing market.

- Market operation issues:

- The contracting mode on the local and regional markets previous to the balancing one;
- The development of the average price registered on the balancing market;
- The development of hydraulic flows;
- The development of the electricity generation and consumption;
- Development trend of CO<sub>2</sub> certificates;
- Common settlement rules for scheduled electricity exchanges and common settlement rules for unplanned electricity exchanges established according to the provisions of Regulation (EU) 1485/2017 establishing a guideline on the electricity system operation and of Regulation (EU) 2195/2017 establishing a guideline regarding electricity balancing.

The regulations implemented in the national legislation according to the provisions of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the electricity market, the settlement performed at 15 minutes, the single settlement price on the balancing market and the Covid-19 pandemic management nation-wide had significant impact on the balancing market revenues / costs, and will further have such impact.

The regulatory framework for balancing market administration contains regularisation mechanisms compensating the revenue excess or deficit compared to expenses necessary to perform such activities. Thus, according to ANRE regulations, the monthly non-null balances (revenue surplus / deficit) resulting from such activities will be compensated by ex-post (negative / positive) tariff correction applied by ANRE in the tariff of the years following that when such balances were registered.

## 21. SYSTEM OPERATION AND BALANCING MARKET EXPENSES

These expenses made in 2021 and 2020 were as follows:

	2021	2020
Expenses regarding one's technological consumption	527,638,720	251,864,518
Congestion expenses	1,603,452	1,650
Expenses regarding electricity consumed in RET substations	24,582,005	16,230,416
Expenses regarding functional system services	4,022,494	30,492,667
Inter TSO Compensation (ITC) expenses	18,562,134	11,256,271
<b>Total operational expenses</b>	<b>576,408,805</b>	<b>309,845,522</b>
Expenses regarding technological system services	609,608,093	566,016,094
Balancing market expenses	1,809,588,063	494,999,492
<b>Total expenses</b>	<b>2,995,604,961</b>	<b>1,370,861,108</b>

### *Expenses regarding one's technological consumption*

They represent expenses to procure electricity from the free electricity market, namely the Centralised Market of Bilateral Contracts (PCCB), the Day-Ahead Market (DAM), the Balancing Market (PE) and the Intraday Market (PI) to cover one's own technological consumption (CPT) within RET.

These expenses were higher by 275,774,202 in 2021 compared to 2020, taking into account issues such as:

- Given its characteristics one's Technological Consumption (CPT) in the Electricity Transmission Grid (RET) strongly depends on meteorological conditions, the country's electricity generation and consumption structures, the distribution of electricity flows in the internal transmission network and on the interconnection lines with neighbouring power systems, its value being little towards no controllable when the regional market is interconnected and coupled;

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- The 2021 consumption was about 150 GWh (16%) higher compared to the same period of 2020, as the 2020 load was strongly influenced by the Covid-19 pandemic;
- The average price of electricity procured on the DAM was almost four times higher in 2021 compared to 2020, significantly exceeding the values recorded on this market last years;
- Market unpredictability showed by great fast price rise in the context of higher prices for carbon emission certificates, of insufficient electricity generating capacities to replace fossil-fuelled output, especially coal, in the context of market liberalisation, of absent competition among producers and suppliers' competition to procure electricity in order to satisfy the contracts they concluded with many clients that selected the free market;
- The single settlement price applied from 01.02.2021 onward and settlement made at 15 minutes led to rises of the average electricity price procured on the Balancing Market of more than two times compared to the similar period of last year. CPT costs on the balancing market were 160% higher than the same period of last year, in the entire studied period.

### *Congestion expenses*

Congestions (network restrictions) are electricity transmission requests beyond the technical capacity limits of the grid, therefore the transmission system operator needs to apply corrective measures; they occur whenever, upon operation scheduling or during real time operation the power flow between two system nodes or areas leads to incompliance with the security operational parameters in a power system.

In 2021 congestion expenses amounted to 1,603,452, mainly determined by:

- In December 2021 power reductions were decided because of grid congestion in UD, Dobrogea region in order to reduce power transit through SEN from Bulgaria to Hungary and Ukraine, against a very high output within the EEC and in order to comply with admissible amounts the characteristic 5 & 6 sections of SEN, when very high power flows were recorded on the 400 kV OHL Smardan - Gutinas;
- In December 2021 power reductions were decided because of grid congestion in UD, Dobrogea region since the 400 kV OHL Sibiu Sud – Tantareni was unavailable, which was added very high output within the EEC, in order to reduce power transit through SEN from Bulgaria to Hungary and Ukraine, namely to avoid overloads on the south-northern axes and to comply with N-1, when very high power flows were recorded on the 400 kV OHL Smardan - Gutinas and on the 400 kV OHL Sibiu Sud – Brasov.

### *Expenses regarding electricity consumed in RET and RED substations*

In order to perform electricity transmission activities within electric substations and to operate the National Power System under safe operational terms CNTEE Transelectrica SA has to procure electricity and cover the consumption of auxiliary services from high voltage electric substations managed by the Company.

Such expenses grew 8,351,589 in 2021 compared to 2020, increase owed to higher electricity procurement prices in 2021 and to the legislative changes applicable beginning with 01 July 2021, namely the provisions of ANRE Order 82/2021.

### *Expenses regarding functional system services*

Such expenses represent uncontracted international exchanges of electricity with neighbouring countries and expenses with unplanned exchanges on the day-ahead market. They dropped by 26,470,173 in 2021 compared to 2020.

### *Inter TSO Compensation (ITC) expenses*

ITC expenses amounted to 18,562,134 and represents monthly payment liabilities / collection rights of each transmission system operator (TSO). They are determined under the compensation / settlement mechanism for the effects of using the electricity transmission grid (RET) for electricity transits between TSO in the ENTSO-E countries that adhered to such mechanism. In 2021 such expenses were 7,305,863 higher than in 2020.

### *Expenses regarding technological system services*

The Company procures technological system services from producers in view of maintaining the safe operation of SEN and the quality of electricity transmitted according to the parameters provided in applicable technical norms, according to the needs established by the National Power Dispatcher (organisational unit of the Company) that is responsible to provide steady-state safe operation of SEN.

Such services are contracted both under competitive regime and under regulated regime (based on Decisions of the National Regulatory Authority in the Energy domain), in case of reactive power reserves.

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

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In 2021 technological system services contracted under regulatory regime were used only for reactive power according to ANRE Decision 1078/2020, being provided by the Company Generating Electricity in Hydropower Plants Hidroelectrica SA.

Expenses regarding technological system services registered increase of 43,591,999 in 2021 compared to 2020, mainly influenced by the following issues:

- The procurement prices of technological system services were higher on the competitive market in the studied interval for secondary reserve (RS) and fast tertiary reserve (RTR), taking into account the price rises on the electricity market in 2021;
- In 2021 a high concentration was recorded on the technological system service market for technological system services of secondary reserve (RS);

*Balancing market expenses*

Such expenses made in 2021 amounted to 1,809,588,063 and were by 1,314,588,571 higher than the 2020 expenses. These expenses result from the notifications / achievements of the participants on this market.

**22. PERSONNEL EXPENSES***i) Personnel expenses*

	<b>2021</b>	<b>2020</b>
Expenses with personnel salaries	221,333,896	215,196,134
Social expenses	10,927,344	10,602,434
Expenses with tickets granted to employees	8,265,213	11,558,230
Expenses with employees' participation to profit achieved last year	3,825,122	-
Covid-19 expenses- food benefit, taxable	-	1,003,974
Expenses related to the mandate contract and other committees, commissions	3,922,827	3,120,020
Insurance and social protection expenses	16,710,178	19,144,354
Provisions constituted for salary and assimilated expenses	(21,748,524)	11,287,479
Other expenses	1,100,146	1,055,282
<b>Total</b>	<b>244,336,202</b>	<b>272,967,907</b>

The total personnel expenses made in 2021 diminished in comparison with 2020, mainly determined by the variation of expense elements such as:

- A part of constituted provisions was resumed to revenues simultaneously with payment made for OAVT certificates (OAVT = remunerations of executive and non-executive administrators, consisting of variable component of OAVT packages allocated and not capitalised during mandates executed in 2013-2017), payments made in 2021 under enforceable court rulings received by the Company;
- The provisions constituted for the variable component and other compensations were resumed in revenues, being for the mandate contracts of Directorate and Supervisory Board members which ended in 2021; the provisions for employees' benefits according to the actuarial calculation were resumed into revenues;
- Constituting new provisions for the disputes the Company is involved into with former Directorate and Supervisory Board members for their mandate contracts ended in 2020;
- Diminished expenses on holiday tickets granted to employees and reduced insurance and social protection expenses;
- Higher personnel salary expenses, social expenses, mandate contract expenses (Directorate, Supervisory Board), and the registration of employees' participation to the 2020 profit.

*ii) Average number of employees*

On 31 December 2021 and 31 December 2020 the average number of employees with individual labour contract with undetermined period was the following:

	<b>2021</b>	<b>2020</b>
Average number of employees	2,015	2,021

**23. OTHER OPERATIONAL EXPENSES**

<b>2021</b>	<b>2020</b>
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Other expenses for services provided by third parties	74,370,738	65,609,395
Postal expenses and telecommunication rates	907,298	794,655
Royalty and rent expenses	5,146,550	1,826,730
(Net) operational expenses with impairment allowances for current assets	22,304,507	7,757,675
Other expenses, of which:	20,695,772	94,355,468
- (Net) expenses regarding provisions for other operational expenses	(37,079,086)	26,605,109
- OAVT expenses acc. to court ruling	9,419,836	25,763,462
- Expenses with taxes and charges (ANRE fee, tax on natural monopoly, other local taxes and charges)	22,275,244	21,153,230
- Expenses for international subscriptions	5,694,756	5,312,664
- Fine and penalty expenses, mainly from disputes	3,058,866	14,055
- Travel expenses	2,691,651	2,014,978
- Expenses to procure electricity for administrative consumption	2,057,261	3,235,866
- Merchandise expenses	1,883,140	589,273
- Sponsorship expenses	1,720,053	1,003,823
- Other operational expenses, non-deductible in fiscal terms	1,670,158	657,518
- Expenses for procured natural gas	1,344,360	972,326
- Expenses for transportation of goods and personnel	1,071,690	1,004,658
- Environmental protection expenses	565,155	606,057
- Insurance premium expenses	514,156	636,521
- Bank and assimilated services	488,529	571,045
- Study and research expenses	358,250	818,465
- Expenses generated by the Covid-19 pandemic	194,846	1,183,063
- Other operational expenses	2,766,907	2,213,355
<b>Total</b>	<b>123,424,865</b>	<b>170,343,923</b>

In 2021 such expenses dropped by 46,919,058 compared to 2020, mainly determined by the variation of certain expense elements such as:

- Some provisions constituted for Energomontaj SA, National Forest Authority Romsilva, ANAF, OPCOM SA, Energobit SA etc. were resumed into revenues;
- Certain expense elements decreased, such as: OAVT paid under court rulings, enforceable (performance bonus related to the OAVT certificates granted to former executive and non-executive members and not capitalised, remuneration according to the mandate contracts concluded in 2013 – 2017), expenses made to procure electricity for administrative consumption, expenses generated by the Covid-19 pandemic, study and research expenses etc.;
- Higher expenses for services provided by third parties (Teletrans maintenance, expenses to implement pan European network codes, civil protection and guard expenses, etc.), royalty and rent expenses (because the annual royalty has higher quantum from 0.1% to 0.4%, according to the provisions of Law 244/09.11.2020 amending the Electricity and natural gas law 123/2012), travel expenses, merchandise and sponsorship expenses, international subscriptions etc.;
- Higher tax and charge expenses, taking into account in February 2021 the amount of 2,140,264 was registered, representing 2014-2016 value added tax not admitted for deduction, according to the Fiscal Audit Report F-MC18/16.02.2021 and Taxation Decision F-MC 22/16.02.2021 on main fiscal liabilities pertaining to differences in the taxation bases established under fiscal inspections to legal persons, issued by ANAF, General Directorate Managing Large Tax-Payers. The Company constituted provision for the paid amount, which was cancelled on payment date and resumed into revenues;
- In March 2021 a sum of 2,845,587 (582,086.31 Euro) was registered and the legal penalty interest relating to the principal debt, calculated as of 11.06.2014 until 24.03.2021, amount paid to Subsidiary OPCOM, for which the following details can be provided:
  - Civil ruling 614 of 16.03.2021 by the ICCJ, Section II Civil denied the appeal filed by CNTEE Transelectrica SA against Ruling 1813/2018, pronounced by the Appeal Court Bucharest under file 40814/3/2014\*, thus constituting the enforceable title; sentence 4275/24.06.2015 pronounced by Bucharest Tribunal under file 40814/3/2014 is final. Thus the Company paid 2,845,587 Lei (582,086.31 Euro) to subsidiary OPCOM SA, representing the amount paid by claimant OPCOM SA instead of the defendant (the Company) from the total value of the 1,031,000 Euro fine applied by European Commission Decision of 05.03.2014, with respect to a procedure initiated under article 102 of the Treaty regarding the operation of the European Union in case AT.39984. The fore-mentioned EC decision provided as such: “Article 1 – CNTEE Transelectrica SA and its subsidiary SC OPCOM SA have perpetrated single and continuous trespass of article 102 of the treaty from 30 June 2008 until at least 16 September 2013 in form of discrimination, since they have requested the Union traders intending to participate to Romania’s Day-Ahead Market and Intraday Market of electricity to get registered for VAT purposes in Romania.
  - Article 2 – For the trespass mentioned in article 1, enterprises CNTEE Transelectrica SA and SC OPCOM SA are applied 1,031,000 Euro fine, they being jointly liable to pay the entire fine...”

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The Company had constituted provision as far back as 2015 for the amount paid, which provision was cancelled on payment being resumed into revenues.

- Higher (net) operational expenses regarding impairment allowances for current assets, taking into account the provisions constituted for Getica 95 Com SRL, Romelectro SA, CET Govora SA, AIK Energy LTD, ISPE Design & Consultancy SA, Eva Energy etc., of impairment allowances for inventories, simultaneously with impairment allowances for current assets resumed into expenses (Romelectro SA, Electrocentrale Bucharest, CET Govora SA, AIK Energy LTD, ISPE Design & Consultancy SA, Arelco Power SRL etc.), of impairment allowances for inventories etc.

**24. NET FINANCIAL RESULT**

	<b>2021</b>	<b>2020</b>
Interest revenues	2,329,995	6,785,772
Revenues from exchange rate differences	4,137,385	2,735,236
Other financial revenues	(65,228)	273,406
<b>Total financial revenues</b>	<b>6,402,152</b>	<b>9,794,414</b>
Interest expenses	(7,654,633)	(9,743,641)
Expenses for exchange rate differences	(7,437,708)	(5,065,595)
<b>Total financial expenses</b>	<b>(15,092,341)</b>	<b>(14,809,236)</b>
<b>Net financial result</b>	<b>(8,690,189)</b>	<b>(5,014,822)</b>

On 31 December 2021 the Company registered net financial result (loss) amounting to 8,690,189 and 3,675,367 higher than the result of 2020. It was mainly influenced by the interest rates applied during the studied interval but also by the development of the national currency's exchange rates against hard currencies the Company has contracted bank loans in, with a view to finance investment programmes.

On 31 December 2021 out of the total amount of 7,654,633 (interest expenses), 1,842,532 represent interest for the **assets related to the right of use under a lease - buildings**, according to the provisions of IFRS 16 – Leasing Contracts.

The exchange rate of the national currency recorded in 31 December 2021 compared to 31 December 2020 was the following:

<b>Currency</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
Lei / Euro	4.9481	4.8694
Lei / US Dollar	4.3707	3.9660

**25. FISCAL LEGISLATIVE FRAMEWORK**

Romania's legislative-fiscal framework and its practical application change frequently and is subject to various constructions by different control bodies. Tax returns are subject to revision and corrections by fiscal authorities, in general for five years after their filling in. The management consider it registered properly fiscal liabilities in its financial statements; however there still is a risk of financial authorities taking different positions in connection with the constructions of such issues. Their impact could not be determined on this date.

**26. COMMITMENTS AND CONTINGENCIES****a) Commitments**

On 31 December 2021 the Company had commitments amounting to 1,094,743,831 and representing contracts underway for investments made in order to upgrade and refurbish the transmission network.

**b) Lands used by the Company**

In accordance with the Company policy the financial statements only include the value of lands which ownership certificates have been obtained for on the financial statements' date.

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In accordance with Law 99/1999, in case the Company obtains the certificate specifying the ownership right for a land after its privatisation, such land will be considered contribution in kind of the Romanian State. Such lands are initially registered in other reserves. To this effect the Company will increase the share capital by the value of lands, and the beneficiary of such increase will be the Romanian State.

For the time being the external juridical opinion the Company received after procuring consultancy, assistance and/or representation juridical services necessary to increase the Company's share capital specifies that, in absence of changes or explanations of the legislative framework, the legislative provisions that are in general applicable to companies are contradictory with the provisions on increase for companies regulated under the privatisation legislation. In comparison with the steps taken to increase the share capital with the value of lands which ownership certificates were obtained for, OPSPI notified the Company that in its opinion share capital should be increased after changing the legal framework.

The Shareholders' General Extraordinary Assembly by Decision 7/28.05.2020 approved the principle increase for the share capital of CNTEE Transelectrica SA with the contribution in kind represented by the value of 17 lands which the Company obtained ownership certificates for and submitting to the Trade Register Office from Bucharest Tribunal the proposal to designate JPA Audit and Consultance SRL as valuator licensed by ANEVAR to assess the contribution in kind used for share capital increase according to legal terms.

Following ORCTB's validation of the proposal made by the Shareholders' general assembly with respect to the expert, JPA Audit and Consultance SRL as valuator licensed by ANEVAR elaborated and transmitted to the Company the *Assessment Report 21278/10.05.2019* establishing the fair value on 31.03.2019 of the 17 lands that Company obtained ownership certificates for, lands belonging to the Company. This report was updated by the Assessment Report 1158/10.01.2022 which established the fair value of lands on 30.09.2021.

Taking into account we are faced with different opinions about the *application/interpretation of incidental legislation namely the privatisation legislation and the capital market legislation*, CNTEE Transelectrica SA is found in objective impossibility to increase its share capital with the value of the 17 lands which the Company obtained ownership certificates for and which expert JPA Audit and Consultance SRL established fair value of.

### c) *Disputes in progress*

The governance team regularly analyses the ongoing disputes, and after consulting with legal representatives decides the need to create provisions for the amounts involved or their mention in the financial statements.

Taking into account the existing information the Company's management believes there are no significant ongoing disputes in which the Company is defendant, except for the following ones:

#### • **INDEPENDENT AUTHORITY FOR NUCLEAR ACTIVITIES**

On the docket of Mehedinti Tribunal, Civil Section II, Administrative and Fiscal Disputes Section file no. 3616/101/2014 was recorded, involving the "claims in the amount of 1,090,831.70, value of invoice no. 1300215/31.12.2013", a file in which the Company is defendant and defendant being the Independent Authority for Nuclear Activities RAAN.

Civil ruling 127 pronounced on 10 October 2014 by Mehedinti Tribunal admitted the request filed by plaintiff RAAN and ordered CNTEE Transelectrica SA to pay the amount of 1,090,831.70 Lei, the value of invoice 1300215/31.12.2013.

The Company filed appeal and requested the Law Court to decide in the ruling to be pronounced to admit the appeal as filed, to cancel the decision and sentences appealed against, refer the case to the territorial competent court for judgment, and to ascertain fulfilment of requirements from articles 1616-1617 of the Civil Code, reason for which it was also required to declare the occurrence of mutual debts compensation and their redemption up to the smallest amount among them, namely the total amount requested by the plaintiff in the application for summons, ordering the appeal - plaintiff to pay the expenses made with this appeal.

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

Ruling 124/2017 of the Appeal Court Craiova admitted the appeal filed by Transelectrica and cancelled sentence 127/2014 pronounced by Mehedinti Tribunal, while the case was referred for retrial to Bucharest Tribunal, Section VI Civil. On the docket of the Bucharest Tribunal the case was registered under no. 40444/3/2017 which by civil ruling 4406/04.12.2017 admitted the request filed by RAAN and ordered Transelectrica to pay the amount of 1,090,831.70 Lei. The sentence was appealed against. Hearing term was established on 13.12.2018.

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

Under such circumstances RAAN calculated penalties for late payment of the due cogeneration bonus amounting to 3,496,914, withheld from the payment by the Company on account of non-cashed receivables. The Company refused paying the amount of 3,496,914 and did not register it as liability in the support scheme.

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File 9089/101/2013/a152 pertains to contesting the additional Receivables Table against debtor RAAN, the litigated amount being 89,360,986 Lei.

Transelectrica SA was recorded in the table of debtor RAAN with only 11,264,777 Lei, under receivables resulting from continued activities of such debtor but the amount the Company requested was 89,360,986 Lei. The sum of 78,096,209 Lei was not registered in the preliminary receivables table because "it does not appear as owed amount in the accounting books of RAAN". Moreover the judiciary liquidator considered the request to register in the table the sum of 78,096,209 Lei has been executed late as it pertained to 2011 – 2013, for which reason the receivable statement should have been made when the insolvency procedure had been instituted, namely on 18.09.2013. Contestation of the preliminary Receivables Table was submitted within the legal term and Mehedinti Tribunal admitted the accounting expertise evidence.

On the 14.06.2018 term case judgment was suspended until settlement of file 3014/2/2014 found on the docket of the ICCJ, and on 14.02.2019 Mehedinti Tribunal decided joining file 9089/101/2013/A152 to file 9089/101/2013/a140 (pertaining to claims – payment request). Thus file judgment was postponed because the court considered it useful for case settlement to submit Civil ruling 2969/26.09.2018, pronounced by the High Court of Cassation and Justice under file 3014/2/2014, with respect to cancelling decision 743/2014 of ANRE President.

The settlement of Mehedinti Tribunal by Ruling 163 / 20.06.2019 was: It admitted the exception of decline. It partly admitted the main issue and associated contestation. It compelled defendant RAAN to pay to claimant Transelectrica the amount of 16,950,117.14 Lei accrued during the procedure, judging to record it in the creditors' table constituted against debtor RAAN. The other associated demands were denied. In accordance with article 453 para 2 from the Civil Procedural Code it compelled the defendant to pay 1000 Lei law court expenses to the claimant. Appeal right was granted. It was pronounced at public hearing; Document Ruling 163/20.06.2019.

On the 06.11.2019 term the Appeal Court Craiova denied the appeal of Transelectrica as groundless. Final decision pronounced under ruling 846/06.11.2019.

Transelectrica filed review request for contradictory rulings, registered under file 1711/54/2019 with hearing term on 25.03.2020 in the Appeal Court Craiova, which will refer the file to the High Court of Cassation and Justice for competent settlement.

În data de 26.03.2020, termenul de judecată a fost preschimbă, următorul fiind în data de 21.05.2020.

La data de 21.05.2020, a fost scoasă cauza de pe rol cu următoarea soluție: s-a admis excepția de necompetență materială a Curții de Apel Craiova și s-a dispus înaintarea cauzei la ICCJ – Secția Contencios Administrativ și Fiscal. Hotărâre 140/21.05.2020. Termen 03.02.2021.

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

Also, there are other 4 files under different court stages between RAAN and Transelectrica.

Under RAAN's bankruptcy file 9089/101/2013 Mehedinti Tribunal established on 08.10.2020 and 04.02.2021 to defer the case. Settlement in brief: a term was granted to continue liquidation procedures, to represent the debtor's interests in the disputes found on the dockets of law courts, to consolidate the creditors' list, to continue measures to recover receivables, to continue public auctions pertaining to capitalising the debtor's assets.

On the 14.10.2021 term the case was postponed, settlement in brief: "It grants term to continue the procedure, namely to capitalize the assets and comply with the other liquidation operations".

On the 10.02.2022 term the case was postponed, settlement in brief: "To carry on the procedure, namely capitalise the assets, collect receivables and carry on the other liquidation operations; parties will be summoned by the BPI" and the next term was established on **02.06.2022**.

### • COURT OF AUDIT

Following an inspection performed in 2013, the Court of Audit issued several measures to be implemented by the Company as a result of some deficits, which were detected upon such control. The decision and protocol issued by the Court of Audit have been appealed before the Appeal Court of Bucharest, file 1658/2/2014 being constituted, pertaining to "cancellation of control deeds" – Conclusion 7/20.02.2014 issued by the Court of Audit.

On 13.06.2018 the claimant's suit was partly admitted. It cancelled a part of conclusion 7/20.02.2014, decision 37/9.12.2013 and the audit report 35521/6.11.2012 issued by the defendant with respect to the measures in the above decision indicated in points I.1, I.3, I.6, I.8, I.11, II.14, II. 15, II.17, II.18, II.20, II.21, II.22 and partially the measure of pt. II.13, meaning to remove the phrase "including what has been found about the invoices issued by FLOREA ADMINISTRARE IMOBILIARA SRL". The court rejected the remainder of the claimant's request as groundless. It standardised the electric power expertise report executed for this case by expert Toaxen Vasile. It compelled the defendant to pay 121,375 Lei law suit expenses to the claimant (partially expert fees and judiciary stamp tax). Document: Ruling 2771/13.06.2018.

In the public hearing of 21.10.2020 the appeals filed by the claimant and the defendant against ruling 2771 of 13 June 2018

## CNTEE Transelectrica SA

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from CAB, Section VIII, Administrative & fiscal disputes were denied as groundless; final.  
Term: 28.10.2021, settlement details: CHANGED TERM.

As result of an audit conducted in 2017 the Court of Audit issued certain measures to be implemented by the Company as it ascertained certain deficits. CNTEE Transelectrica SA filed 8 contestations against the measures decided by Romania's Court of Audit (CCR) by Decision 8/27.06.2017, requesting their cancellation as well as cancelling the Conclusion 77/03.08.2017, registered in the Company under number 29117/08.08.2017, and the Audit Report 19211/26.05.2017. Contestations are under settlement: On the docket of the Appeal Court Bucharest (2 files: **6576/2/2017** on cancelling the findings from items 7.1, 7.2 and 8, as well as the measure decided in item II.10, term on 20.01.2021, settlement: the inadmissibility exceptions invoked by request were denied, the request was denied as groundless and file **6581/2/2017** on cancelling the findings from item 6, and the measure decided in item II.9, hearing term on 17.09.2021), on the docket of the High Court of Cassation and Justice (4 files: **6577/2/2017** on cancelling the findings from item 13, and the measure decided in item II.13, turned into file **1614/1/2020**, with hearing term set on 27.01.2022, file **6578/2/2017**, on cancelling the findings from item 9 and the measure decided in item II.11, hearing term on 08.06.2022, file **6574/2/2017** on cancelling the findings regarding item 5.2 and the measure decided in item II.8, hearing term on 19.10.2021). Three files were settled for good by the Appeal Court Bucharest's denial of the cancellation request and recourses denied by the High Court of Cassation and Justice (file 6583/2/2017 on cancelling the findings regarding item 5.1 and the measure decided in item II.7 and II.8 and file 6582/2/2017 on cancelling the findings regarding item 11, and the measure decided in item I.5; file 6580/2/2017 on cancelling the findings regarding item 10 and the measure decided in item II.12).

In case of 6574/2/2017 on the hearing 19.10.2021 recourses were denied as groundless, which were filed by the recurrent-claimant National Power Grid Company Transelectrica SA against civil sentence 1074 of 8 March 2018 and against Hearing conclusion of 11 January 2018, pronounced by the Appeal Court Bucharest, Section VIII Administrative & Fiscal Disputes; final. It was pronounced at public hearing on 19 October 2021.

In January-July 2020 Romania's Court of Audit performed control to all the Territorial Transmission Units of CNTEE Transelectrica, and in 25.05-27.08.2020 the check continued in the Company's executive branch. CCR's control pertained to "control of the situation, development and administration of the state's public and private domains and of the legality of revenues obtained and expenses made in 2017-2019" within CNTEE Transelectrica SA.

Such inspection on the fore-mentioned topic began on 25.05.2020 in the Company's executive branch but CCR suspended it to initiate a different audit to "control the management of public resources during the emergency state". This began on 02.06.2020 and ended on 26.06.2020.

The Audit Report executed by CCR auditors about the "control on the management of public resources during the emergency state", registered under number 24225/26.06.2020 in the Company, ascertained no deficiency, consequently no Decision was issued with measures to be applied.

When the inspection with respect to the administration of the state's public and private domains, and to the legality of revenues obtained and expenses made in 2017-2019 ended on 06.10.2020, Audit Report 40507/06.10.2020 was issued and on 09.11.2020 Romania's Court of Audit issued Decision 15 through Department IV, which contained 10 measures to be applied by 31.05.2021, which CCR extended upon Company's request until 31.12.2021.

The Company filed objections and submitted Contestation 50090/26.11.2020, registered under number 139775/26.11.2020 at the Court of Audit's, requesting cancellation of such measures. CCR auditors examined and studied the Contestation submitted by the Company and issued Conclusion 2 of 10.03.2021 admitting cancellation of one measure of the 10 decided.

The Company's Contestation is under settlement by the Appeal Court Bucharest.

- **ANRE**

CNTEE Transelectrica SA filed complaint against Order 51/26.06.2014 of ANRE President, registered with ANRE under no. 47714/4.08.2014, and a contestation before the Appeal Court Bucharest under file **4921/2/2014**, requesting either the amendment of the aforementioned Order or the issuance of a new one, which should recalculate the RRR value at the level of 9.87% (recalculated with a ( $\beta$ ) coefficient of 1.0359, according to the internal analyses conducted by Transelectrica) or, should this complaint be rejected, using the same percentage of 8.52% set by ANRE for 2013 and in semester I of 2014.

On 26.06.2014 ANRE Order 51 was issued and published in the Official Gazette 474/27.06.2014 regarding approval of the average tariff for transmission services, the system service tariffs and zone tariffs for transmission services charged by the National Power Grid Company Transelectrica SA and cancelled annex 1 to Order 96/2013 of ANRE President approving the average tariff for transmission services, the system service tariffs and zone tariffs for transmission services and the tariffs for reactive electricity charged by economic operators of the electricity sector. The values taken for the calculation of the regulated rate of return (RRR) by ANRE according to the Methodology establishing the tariffs of electricity transmission services approved by ANRE Order 53/ 2013 ("Methodology") determined the RRR at 7.7%.

On the 27.03.2018 term the expert fee placed on the claimant's behalf was paid and a letter will be sent to the expert in order to execute the agreed expertise report and submit it to the file.

## CNTEE Transelectrica SA

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On 25.09.2018 the settlement in brief was to resume the letter to the expert with a view to make the expertise report and submit it to the file, in order to prove it is impossible to submit the expertise report by the hearing term, in which respect it decided postponing the case.

At the hearing term on 22.01.2019 the court agreed in principle the accessory intervention request to the defendant's interest (ANRE), expressed by intervenient ALRO SA, appeal granted with the principal issue. On 25.06.2019 the decision was taken to postpone the case to enable the parties to get acquainted with the content of the expertise report and a new hearing term was set on 10.09.2019.

On the 10.09.2019 term taking into account the request of the claimant's representative to get acquainted with the content of objections filed by the intervenient and to be able to answer them, considering also the claimant has equally submitted meeting notices accompanied by writs requiring translation, it admitted the case postponement request and decided setting a new hearing term on 03.12.2019.

On the 03.12.2019 term the decision was to postpone the case and set a new hearing term in order to resend letter to the expert to submit his answers to the objections made to the file, mention should be made he was to appear in court at the next hearing term. It will draw the expert's attention to submit a copy of his answer to objections to each party before the hearing term.

On the following term, 12.05.2020, the file was suspended during the entire emergency state.

On 23.06.2020 the case was deferred to enable the parties to get acquainted with the answer to objection. Also on the 21.07.2020 term the case was deferred with this settlement: letter to the expert to show up in court.

On 06.10.2020 the request was denied with the following settlement in brief: the exception of inadmissibility was denied as groundless. The suit was denied as groundless; appeal within 15 days from notification. It was pronounced by placing the settlement at the parties' disposal by the court clerk; Ruling 362/2020.

On 16.11.2020 the case was deferred. Settlement in brief: In accordance with article 230 of the Civil Procedural Code, the 17.11.2020 hearing term is changed ex officio to 11.01.2021. It decided notifying the parties a copy of the term changing conclusion; appeal right was granted with the substance issue.

On the 11.01.2021 term the settlement in brief was: it admitted the request to complete the device. It decided completing the device for civil sentence 362/06.10.2020 was decided with settlement on the accessory intervention request, meaning that: it admitted the accessory intervention request of intervenient ALRO SA to support defendant ANRE; appeal right within 15 days from notification, to be submitted to the Appeal Court Bucharest. It was pronounced on 11.01.2021 by placing the settlement to the parties' disposal by means of the court clerk.

Mention should be made this dispute has not impacted the relationship with ANRE or the Company's financial results.

### • OPCOM

On 24.11.2014 the Electricity and Natural Gas Market Operator OPCOM SA summoned the Company in order to compel it paying 582,086 Euro (2,585,162 Lei at the National Bank of Romania's exchange rate of 24.11.2014), representing the amount paid by it as fine, from the total fine amount of 1,031,000 Euro, which was included in file **40814/3/2014**.

Previously the Shareholders' General Assembly of Subsidiary OPCOM SA had decided on 10.06.2014 to pay in full the fine amounting to 1,031,000 Euro imposed by the Directorate General for Competition, European Commission for breaching Article 102 of the Treaty on the European Union Functioning, according to Decision AT 39984 in the antitrust case AT 39984. Also OPCOM SA requested the court to order the Company to pay the amount of 84,867.67 Lei as legal interest related to the period 11.06.2014 – 24.11.2014, plus legal expenses amounting to 37,828 Lei.

The action filed by the subsidiary SC OPCOM SA is subject of file 40814/3/2014 on the docket of Bucharest Tribunal, Section VI Civil, involving claims, dispute with professionals.

At the hearing session on 24.07.2015 the court admitted the summons filed by claimant Gas and Electricity Market Operator OPCOM SA in contradiction with the National Power Grid Company Transelectrica SA and compelled the defendant to pay 582,086.31 Euro to the claimant representing the amount which the claimant paid instead of the defendant from the fine amounting to 1,031,000 Euro applied by the European Commission's Decision of 05.03.2014 in case AT.39984, as well as associated legal interest to 582,086.31 Euro, calculated as of 11.06.2014 until actual payment. Also the court compelled the defendant to pay 37,828 Lei to the claimant as law suit expenses; appeal right granted within 30 days from notification. Transelectrica SA filed appeal against sentence 4275/2015 pronounced under the fore-mentioned file, which was registered on the docket of the Appeal Court Bucharest.

The Appeal Court's settlement in brief: It admitted the appeal, changing entirely the civil ruling appealed against, meaning it denied the summons as groundless. It compelled the recurrent-claimant to pay law suit expenses amounting to 16,129 to the defendant, representing judiciary stamp fee. Appeal right granted within 30 days from notification. It was pronounced at public hearing on 10.10.2016. Document: Ruling 1517/2016 din 10.10.2016.

OPCOM SA filed appeal, registered with the High Court of Cassation and Justice.

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Hearing term with the ICCJ: 13.03.2018. ICCJ settlement in brief: It admitted in principle the appeal filed by the recurrent-claimant Gas and Electricity Market Operator OPCOM SA against decision 1517/10.10.2016 pronounced by the Appeal Court Bucharest, Section V Civil. It cancelled the decision appealed against and referred the case for new judgment to the appeal court; final.

On the 01.10.2018 hearing term the Appeal Court Bucharest decided denying the appeal as groundless and compelling the respondent in appeal-defendant to pay 26,070.31 Lei as law suit expenses to the respondent in appeal-claimant. Appeal right was granted within 30 days from notification.

On 27.11.2018 CNTEE Transelectrica SA filed appeal, which is under screening with ICCJ.

ICCJ settlement on 30.06.2020 was the following: the parties will be notified the report on the principle admissibility for the recourse filed by Transelectrica against ruling 1813/2018 of 1 October 2018, pronounced by the Appeal Court Bucharest, Section V Civil, specifying they were entitled to submit an opinion to the report within 10 days from notification.

On 10.11.2020 ICCJ settlement was: in principle the appeal was admitted as filed by Transelectrica against ruling 1813/2018 of 1 October 2018, pronounced by the Appeal Court Bucharest.

On the 16.03.2021 term the judge panel denied as groundless Transelectrica's appeal against ruling 1813/2018 of 1 October 2018, pronounced by the Appeal Court Bucharest, Section V Civil; final.

In 2014 the Company registered provision amounting to 2,670,029 Lei for the dispute with Subsidiary OPCOM SA.

File **17765-3-2019** pertains to compelling defendant OPCOM SA to pay 4,517,460 Lei according to TEL invoice series 16 AAA 19533/29.07.2016, representing VAT amount to the contribution of CNTEE Transelectrica SA to the share capital of OPCOM SA, issued under Loan Contract 7181RO/2003, a commitment to finance the investment 'Electricity Market Project'; compelling OPCOM SA to pay 1,293,778.27 Lei according to invoices TEL 19 T00 17/28.01.2019 and TEL 19 T00 131/10.07.2019 representing penalty legal interest calculated for the failure to pay in due term invoice series TEL 16 AAA 19533/29.07.2016.

The amount of 4,517,460 Lei is principal debit under petition 1 of this case and it represents the VAT associated to the share capital indexation of OPCOM SA by contribution in kind, substantiated by intangible assets received as corresponding to stage I A and stage II of contracts P081406-O-C78, P081406-C125 and P081406-C300.

On the 27.09.2019 hearing term the exception of inadmissibility and the exception of prescription were denied as groundless. It denied the request as groundless. It denied as groundless the creditor's request to compel the debtor paying the law suit expenses. Cancellation request granted within 10 days from notification, such cancellation request was to be submitted to Bucharest Tribunal, Section VI Civil.

La termenul din data de 03.12.2021, se admite excepția prescripției. Respinge acțiunea ca fiind prescrisă. Cu drept de apel în termen de 30 zile de la comunicare, care se depune la Tribunalul București, Secția a VI-a Civilă. Pronunțată prin punerea soluției la dispoziția părților prin mijlocirea grefei instanței, azi, 03.12.2021.

On 22.11.2019 under file **34249/3/2019**, settlement in brief: Taking into account the provisions of article 94 para 3 from Internal Order Regulation of Law Courts, approved by CSM decision 1375/2015, according to which the appeal modes declared against the same ruling are settled by the initial panel and taking into consideration both the creditor and the debtor filed cancellation requests against the hearing conclusion 27.09.2019 pronounced by Bucharest Tribunal, Section VI Civil under file 17765/3/2019, pertaining to payment ordinance, it decided referring this file to settlement by the first panel assigned with settling an appeal against the hearing conclusion of 27.09.2019 pronounced by Bucharest Tribunal, Section VI Civil under file 17765/3/2019, namely Panel 11 AO initially attributed file **34022/3/2019**, pertaining to request cancellation.

Cancellation requests were registered under file **34022/3/2019**, with hearing term on 11.03.2020. Settlement in brief: lawfully suspended according to article 63 para 11 of annex 1 to Decree 240/2020 of Romania's President regarding the emergency state extended on Romanian territory.

On the 06.05.2020 term settlement in brief: It was lawfully suspended according to article 63 para 11 of annex 1 to Romania's President's Decree 240/2020 regarding the emergency state extended on Romanian territory.

TMB settlement to the request for cancellation: on the 17.11.2020 term it denied both cancellation requests as groundless. It denied as groundless both parties' requests to compel payment of law court expenses; final. It was pronounced by placing the sentence to the parties' disposal by the court clerk; Document: Ruling 2221/2020 17.11.2020.

### • CONAID COMPANY SRL

In 2013 Conaid Company SRL summoned CNTEE Transelectrica SA for its unjustified refusal to sign an addendum to the connection contract or a new connection contract and requested compensations for the expenses incurred up to that date amounting to 17,419,508 Lei and for unrealised profits in 2013-2033 amounting to 722,756,000 EUR. To date the Company has not concluded an addendum to the connection contract because the suspensive terms included in the contract were not

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complied with by Conaid Company SRL. A new connection contract should have been concluded by 11 March 2014, expiry date of the technical connection endorsement. File 5302/2/2013 was found on the docket of the High Court of Cassation and Justice, Section of Administrative and Fiscal Disputes, and pertained to an obligation to issue an administrative deed; law court stage – appeal and hearing term on 09.12.2015. On this term the High Court of Cassation and Justice admitted in principle the appeals and set a hearing term of such appeals, for the main issue, on 08 April 2016. Panel 4 was entrusted to summon the parties.

Case judgement was deferred to 17.06.2016, when the court postponed pronouncement to 29.06.2016, when it pronounced Ruling 2148/2016 whereby it decided as follows: “It denies the exceptions invoked by the recurrent-claimant SC Conaid Company SRL by means of the judiciary administrator RVA Insolvency Specialists SPRL and by the recurrent-defendant the National Power Grid Company Transelectrica SA. It admits the appeal filed by the defendant National Power Grid Company Transelectrica SA against the hearing conclusion of 18 February 2014 and civil ruling 1866 of 11 June 2014 pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes. It cancels the contested conclusion and partly the ruling and refers the case to Bucharest Tribunal, Section VI Civil to settle the claimant’s case in contradiction with the National Power Grid Company Transelectrica SA. It maintains the other ruling provisions as regards the claimant’s suit against the National Regulatory Authority in the Energy domain. It denies the appeals filed by claimant SC Conaid Company SRL by means of the judiciary administrator RVA Insolvency Specialists SPRL and by the intervenient SC Duro Felguera SA against civil ruling 1866 of 11 June 2014, pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes. It denies the appeal filed by the defendant National Power Grid Company Transelectrica SA against the hearing conclusion of 25 March 2014, pronounced by the Appeal Court Bucharest, Section VIII of Administrative and Fiscal Disputes; final”. It was pronounced at public hearing on 29 June 2016.

The case was registered under file 12107/3/2017 on the docket of Bucharest Tribunal. The Tribunal’s civil sentence 4364/23.11.2017 admitted the exception of inadmissibility and denied the request as inadmissible. It also denied the intervention request on the claimant’s behalf. Appeal right was granted within 30 days from notification. The appeal was filed to the Appeal Court Bucharest, Section VI Civil and the court clerk office notified it on 23.11.2017.

On 02.11.2018 on the docket of Bucharest Tribunal, Section VI Civil new summons were filed by Conaid Company SRL under file **36755/3/2018**, by which the claimant requested the court to compel Transelectrica SA to “repair the prejudice caused to the claimant as a result of the defendant’s culpable non-execution of obligations in quantum of 17,216,093.43 Lei, consisting of actual damage incurred and unrealised benefit, provisionally estimated at 100,000 Euro... taking into account the unjustified refusal of Transelectrica SA to conclude and sign an addendum to Contract C154/27.04.2012, and in case the instance deem in formal terms the claimant’s obligation of suspensive terms cannot be considered as fulfilled, such non-execution is owed to the exclusive guilt of Transelectrica SA, as the defendant prevented the compliance with the terms”.

On the 15.10.2019 term it denied as groundless the exceptions of absence of active processual capacity and absence of interest. It joined the exception of prescription to the main issue; appeal right on the same date with the main issue. It was pronounced by placing the settlement to the parties’ disposal by means of the court clerk.

It established the term on 26.11.2019 to continue investigating the case and summon the parties; appeal right on the same date with the main issue. It was pronounced by placing the settlement to the parties’ disposal by means of the court clerk.

It was deferred to provide the expertise evidence and a new term was established on 21.01.2020.

On 21.01.2020 the case was deferred for expertise and the next term was set on 31.03.2020.

On the 31.03.2020 term the settlement in brief was: It was lawfully suspended as per article 42 para 6 of Decree 195/2020 of Romania’s president instituting the emergency state on Romanian territory, during the entire emergency state.

After several postponements to execute the expertise report a new term was established on **12.04.2022**.

### • FF WIND ENERGY INTERNATIONAL SRL

File **47332/3/2017** on the docket of Bucharest Tribunal, Section VI Civil, whereby Company FF Wind Energy International SRL requests in contradiction with CNTEE Transelectrica SA: cancelling the one-sided statement to denounce the RET connection contract 85/14.03.2011 issued on 02.03.2016 under no. 8295; compelling the Company to pay 32,777,167.35 Lei as prejudice following contract termination as well as 45,000,000 Euro, representing the devaluation quantum of Company FF Wind Energy International SRL by hindering its purpose.

On the hearing term of 28.12.2018 the court denied the summons as filed for being groundless. It acknowledged the defendant has not requested law suit expenses; appeal right granted within 30 from notification. In accordance with article 425 para 3 and article 471 para 1 of the Civil Procedural Code, the appeal and its grounds are submitted to Bucharest Tribunal, Section VI Civil. Document: Ruling 3891/ 28.12.2018.

Company FF Wind Energy International SRL filed appeal, which was judged on 18.06.2019, but pronouncement was deferred to 23.07.2019, when the settlement in brief was the following: “It denies the appeal as groundless; appeal right granted within



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30 days from notification. The appeal files to be submitted to the Appeal Court Bucharest, Section VI Civil, pending nullity. It was pronounced at public hearing. Document: Ruling 1191/23.07.2019”.

FF Wind filed appeal, which is under screening with the High Court of Cassation and Justice.

Term: 12.05.2020 - Settlement details: the parties were notified the report on the principle admissibility of the appeal filed by claimant FF Wind Energy International SRL by its judiciary administrator Aktiv Lex Insolvency SPRL against civil ruling 1191 of 23 July 2019, pronounced by the Appeal Court Bucharest, Section VI Civil, specifying they are entitled to submit an opinion about the report within 10 days from notification.

On the hearing term of 13.10.2020 settlement was the following: screening - it admitted in principle the appeal with the following details: the exception of appeal nullity claimed by the intimated-defendant CNTEE Transelectrica SA by contestation was denied. It admitted in principle the appeal filed by claimant FF Wind Energy International SRL by its judiciary administrator Aktiv Lex Insolvency SPRL against civil ruling 1191 of 23 July 2019, pronounced by the Appeal Court Bucharest.

On the 26.01.2021 hearing term a new term was set on 30 March 2021, while on 30 March 2021 the case was deferred to 14 September 2021.

On the hearing term on **14 September 2021** ICCJ settlement was: “it denied as groundless the recourse filed by claimant FF Wind Energy International SRL by judiciary liquidator CII Neamu Corneliu against civil ruling 1191 of 23 July 2019, pronounced by the Appeal Court Bucharest, Section VI Civil; final”.

### • ROMENERGY INDUSTRY

File **2088/107/2016** on the docket of Alba Tribunal pertained to “Bankruptcy & request to be admitted in the creditors’ list”. Transelectrica filed request to be recorded in the creditors’ list with 16,112,165.18 mill Lei; the receivable was admitted and recorded in the preliminary Table.

Settlement in brief: It established the term on 14.10.2019 to continue the bankruptcy procedure by capitalising the assets and recovering the receivables. The judiciary liquidator was to execute and submit to the file: - every 15<sup>th</sup> day of the month the monthly activity reports of the preceding month as provided in para 1 of article 59 from Law 85/2014; - 5 days before the verification term the synthetic report of 120 days, provided in the final part of para 3 of article 59, Law 85/2014.

On the hearing term of 27.01.2020 the verification term was set on 11.05.2020, to continue the bankruptcy procedure by capitalising the goods and recovering the assets. The judiciary liquidator was to execute and submit to the file: - every 15<sup>th</sup> day of the month the monthly activity reports of the preceding month as provided in para 1 of article 59 from Law 85/2014; - 5 days before the verification term the synthetic report of 120 days, provided in the final part of para 3 of article 59, Law 85/2014.

On 11.05.2020 judgment was lawfully suspended during the emergency state instituted on Romania’s territory.

On the 22.06.2020 term the case was deferred. Settlement in brief: the report on the funds obtained by liquidating the debtor’s assets and the 03.06.2020 distribution plan were approved.

On the 05.10.2020 term the case was deferred. Settlement in brief: a term was set on 18.01.2021 to continue the bankruptcy procedure by capitalising the debtor’s assets. The judiciary liquidator will execute and submit to the file: - every 15<sup>th</sup> day of the month, the monthly activity reports of the preceding month as provided in para 1 of article 59 from Law 85/2014; - 5 days before the verification term, the synthetic report of 120 days provided in the final part of para 3 of article 59, Law 85/2014.

On the 18.01.2021 the case was deferred. Settlement in brief: It approved Report 1334 on the funds obtained by liquidating the debtor’s assets and Plan 1335 to distribute the funds.

On the 27.09.2021 term a new term was set on 31.01.2022 to continue the bankruptcy procedure, capitalise the assets and recover receivables.

On 31.01.2022 another term was set on **16.05.2022** to continue the bankruptcy procedure, capitalise the assets and recover receivables. The judiciary liquidator will execute and submit to the file: - every 15<sup>th</sup> day of the month, the monthly activity reports of the preceding month as provided in para 1 of article 59 from Law 85/2014; - 5 days before the verification term, the synthetic report of 120 days provided in the final part of para 3 of article 59, Law 85/2014.

### • RESITA CITY

File **2494/115/2018\*** and file **2494/115/2018\*\***, registered on the docket of Caras Severin Tribunal pertain to summons whereby the claimant Resita City requests compelling defendant Transelectrica SA to pay the following amounts:

- 2,129,765.86 Lei representing rent for the land temporarily taken up from the forest fund in 2015;
- 2,129,765.86 Lei representing land rent for 2016;
- 2,129,765.86 Lei representing land rent for 2018;
- 2,129,765.86 Lei representing land rent for 2019;

The attached notes are integrant parts of these stand-alone financial statements

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- 2,129,765.86 Lei representing land rent for 2020;
- Legal penalising interest from due date until actual payment.

Settlement in brief: It admitted the exception of territorial incompetence for Caras Severin Tribunal. It declined the settlement competence of the request filed by claimant Resita City through the mayor in contradiction with defendant CNTEE Transelectrica SA in favour of Bucharest Tribunal. No appeal according to article 132 para 3 Civil Procedural Code. It was pronounced at public hearing on 11 March 2019. Document: Ruling 313/11.03.2019.

On the hearing term of 25.10.2019 the exception was admitted of territorial incompetence of Bucharest Tribunal. It declined the settlement competence of this case in favour of Caras-Severin Tribunal. It ascertained the occurrence of a negative competence conflict between Bucharest Tribunal and Caras-Severin Tribunal. It suspended the case and referred the file to the High Court of Cassation and Justice, in order to settle the negative competence conflict. No appeal was granted; pronouncement will take place by placing the settlement at the parties' disposal through the court clerk by Ruling 2376/25.10.2019.

On the 16.07.2020 term the High Court of Cassation and Justice by ruling 1578 established the case settlement competence in favour of Caras Severin Tribunal, Section I civil.

On the 16.11.2020 term the court deferred the case and granted time for study of writs submitted to the file on this hearing term by the representative of CNTEE Transelectrica SA, establishing a new hearing term on 22.03.2021.

On 22.03.2021 settlement in brief: It suspended the summons filed by claimant Resita City by its Mayor in contradiction with defendant National Power Grid Company Transelectrica SA pertaining to claims according to article 413 para(1) pt.1 of the Civil Procedural Code; appeal right granted during the entire suspension, to be filed with the superior court.

### • ANAF

In 2017 the general fiscal inspection ended which began in Transelectrica SA on 14.12.2011, a control targeting the December 2005 - December 2010 interval.

Such general fiscal audit began on 14.12.2011 and ended on 26.06.2017, date of final discussions with Transelectrica SA.

When this audit has been completed ANAF - DGAMC established additional fiscal obligations payable by the Company, namely income tax and VAT, as well as accessory fiscal liabilities (interest/delay indexations and penalties) with respect to technological system services (STS) invoiced by energy suppliers, considered non-deductible after the fiscal audit.

In accordance with the taxation decision F-MC 439/30.06.2017, in total sum of 99,013,399 Lei, ANAF – DGAMC established additional fiscal liabilities payable by the Company, amounting to 35,105,092 Lei, as well as accessory fiscal ones (interest/delay indexations and penalties), amounting to 63,908,307 Lei.

In the main ANAF's Tax inspection report records the following additional payment liabilities: corporate tax amounting to 13,726,800 plus accessories, owed for a number of 123 unused invoices identified as missing (they were destroyed in the fire that broke out the night of 26-27 June 2009, at the business office from Millennium Business Centre from 2-4 Armand Calinescu Street, District 2, where the company carried out its activity), documents under special regime.

These invoices were subject to a dispute with ANAF, the latter sending a tax inspection report on 20 September 2011 which estimated the amount of collected VAT for a number of 123 unused invoices identified as missing.

The Company filed contestation against Taxation Decision F-MC 439/30.06.2017 within the legal term according to OG 92/2003 on the Civil Procedural Code.

ANAF issued the enforcement title 13540/22.08.2017 based on which the additional payment liabilities were executed as established under the Taxation Decision F-MC 439/30.06.2017.

The Company requested cancellation of the enforcement title 13540/22.08.2017 from the Appeal Court, under file 7141/2/2017. Settlement in brief: it admitted the exception of material incompetence of the Appeal Court Bucharest, SCAF. It declined the material competence of case settlement in favour of Law Court of Bucharest 1; no appeal granted. It was pronounced at public hearing on 08.02.2018. Document: Ruling 478/2018 of 08.02.2018.

After such competence declination file **8993/299/2018** was registered on the docket of Law Court of Bucharest 1 whereby the Company contested the enforcement made under the enforcement title 13540/22.08.2017, based on the Taxation Decision F-MC 439/30.06.2017.

After the Company's contestation of the fiscal administrative deed Decision F-MC 439/30.06.2017 ANAF notified the Company its Decision 122/13.03.2018 whereby it rejected as groundless the contestation filed by CNTEE Transelectrica SA, such decision being received on 16.03.2018, after submitting the summons under file 1802/2/2018.

Settlement in brief: It admitted the judgment suspension request filed by the contester. In accordance with article 413 para (1) pct. 1 of the Civil Procedural Code it suspended judgment until final settlement of file 1802/2/2018, on the docket of the Appeal Court Bucharest, Section VIII Administrative and Fiscal Disputes. Appeal right was granted during the entire suspension; appeal to be submitted to the Law Court Bucharest 1. It was ruled in open court. Document: Conclusion - Suspension 17.04.2018.

Case file **1802/2/2018** is found on the docket the Appeal Court through which the Company contested the fiscal administrative document - Decision F-MC 439/30.06.2017.

On the session term 06.11.2018 the court admitted the administration of the expertise evidence, in the accounting – fiscal specific domain. Hearing scheduled for: 12.05.2020.

Pronouncement was deferred on CAB's hearing term of 21.07.2020.

On 30.07.2020 the case was replaced again on the docket for additional explanations.

On the 20.10.2020 term the request was partly admitted with the following settlement in brief: the litis-pended requests were partly admitted; Ruling 122/13.03.2018 was partly cancelled, on settling the contestation filed against Taxation Decision F-MC 439/30.06.2017 issued by the National Agency of Fiscal Administration, General Dispute Settlement Division, Taxation Decision F-MC 439/30.06.2017 issued on 12.07.2017 by the National Agency of Fiscal Administration, General Directorate Managing Large Tax-Payers, Taxation Decision F-MC 439/30.06.2017 issued by the National Agency of Fiscal Administration, General Directorate Managing Large Tax-Payers and the Tax audit report F-MC 222 concluded on 30.06.2017, which was used for the taxation decision, meaning: - it removed the paying liability of the income tax amounting to 18,522,280 Lei, VAT in sum of 5,694,636 Lei and fiscal accessories pertaining to such main fiscal debts in quantum of 48,436,653 Lei, fiscal liabilities established for the 349 fiscal invoices of special regime found as missing from the claimant's books; it removed the non-deductible nature of 27,001,727 Lei when calculating the taxable income, sum representing technological system services invoiced by electricity suppliers, considered as non-deductible after the fiscal audit and compelling the payment of main fiscal arrears and accessories on this amount; it removed the non-deductible nature of 343,629.91 Lei when calculating the taxable income, sum representing "weed-removing services" and payment obligation for the main fiscal arrears and accessories pertaining to such sum; it removed the non-deductible nature of 230,685.49 Lei when calculating the taxable income, sum representing expenses for promotional and protocol objects and payment obligation for the main fiscal arrears and accessories pertaining to such sum; it removed the non-deductible nature of VAT in quantum of 46,417.1 Lei pertaining to 343,629.91 Lei, representing "weed-removal services" and payment obligations of the main fiscal arrears and accessories of this amount; it removed the non-deductible nature of VAT in quantum of 37,693.88 Lei pertaining to 230,685.49 Lei representing expenses for promotional and protocol products and payment obligation for the main fiscal arrears and accessories of such amount; it removed the mention about obliging the Transmission Branch Sibiu of CNTEE Transelectrica SA to register 576,846.80 Lei as taxable revenue on 30.06.2010 at the latest, date when the audited unit was accepted to be recorded in the creditors' table with such sum; it maintained the mention about the taxable revenue nature of 576,846.80 Lei when calculating the profit according to the provisions of article 19 para 1 of Law 571/2003 on the Fiscal Code, with later amendments and additions, corroborated with item 23 let. d of HG 44/2004 including the Methodological Norms to apply Law 571/2003, income tax chapter, namely chapter VII on the function of accounts from Order 3055 of 29 October 2009 approving the accounting regulations compliant with European directives and compelling the payment of main fiscal arrears and accessories of such sum; it removed the Minutes ascertaining the "determination of the deductible value added tax lower than that recorded by the claimant, thus resulting a difference of 13,141 Lei" (annex 15) and compelling the payment of main fiscal arrears and accessories of this amount; it removed the payment obligation for delay penalties of penalising juridical regime, calculated for more than 6 months from the inception date of the fiscal audit, regarding the main fiscal liabilities maintained by judgment in this ruling, as established by the Taxation Decision F-MC 439/30.06.2017 issued on 12.07.2017 by the National Agency of Fiscal Administration, General Directorate Managing Large Tax-Payers, Taxation Decision F-MC 439/30.06.2017 issued by the National Agency of Fiscal Administration, General Directorate Managing Large Tax-Payers and Decision 122/13.03.2018 on settling the contestation against the Taxation Decision F-MC 439/30.06.2017 issued by the National Agency of Fiscal Administration, General Dispute Settlement Division. It maintained the other provisions of Taxation Decision 122/13.03.2018 on settling the contestation against the Taxation Decision F-MC 439/30.06.2017 2017 issued by the National Agency of Fiscal Administration, General Dispute Settlement Division, the Taxation decision F-MC 439/30.06.2017 issued on 12.07.2017 by the National Agency of Fiscal Administration, General Directorate Managing Large Tax-Payers, Taxation decision F-MC 439/30.06.2017 issued by the National Agency of Fiscal Administration, General Directorate Managing Large Tax-Payers. It denied the other litis-pended requests as groundless. It denied as groundless the request to grant court expenses as judiciary stamp tax. It compelled the defendants to jointly pay to the claimant the law court expenses amounting to 4000 Lei, representing fee for the accounting-fiscal expertise, in proportion to request admission. **Appeal right** was granted within 15 days from notification, to be submitted to the Appeal Court Bucharest; **Ruling 382/20.10.2020.**

#### • OTHERS

The Company is involved in significant disputes especially to recover trade receivables (e.g.: Petprod SRL, Total Electric Oltenia SA, Independent Authority for Nuclear Activities, Romenergy Industry SRL, Energy Holding SRL, UGM Energy Trading SRL, CET Iasi, CET Bacau, CET Braila, CET Govora, CET Brasov, Elsaco Energy SRL, Arelco Power SRL, Arelco Energy SRL, Opcom, Menarom PEC SA Galati and others).

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

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

#### d) Indemnities

**CNTEE Transelectrica SA**

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(All amounts are expressed in LEI, unless otherwise provided)

On 31 December 2021 and 31 December 2020 indemnities were as follows:

	<u>2021</u>	<u>2020</u>
<b>Granted indemnities, of which:</b>	<b>346,250,155</b>	<b>317,705,331</b>
- Indemnity letters provided – production	86,624,958	59,426,105
- Indemnity letters provided – investments	84,625,197	83,279,226
- Other indemnities provided	175,000,000	175,000,000
<b>Received indemnities, of which:</b>	<b>668,519,746</b>	<b>499,010,263</b>
- Indemnity letters received – production	257,094,508	161,190,452
- Indemnity letters received – investments	363,099,687	289,686,678
- Other indemnities received	48,325,551	48,133,133

**Indemnities provided**

In accordance with Licence 161/2000 to provide electricity transmission services, system services and manage the balancing market, updated by Decision 571/08.04.2020 of ANRE president, the Company is obliged to constitute and maintain financial indemnity at 1% of its turnover associated to the licenced activities, which shall provide uninterruptedly the activities under licence, taking into consideration the major risks that might impact such activities and shall cover possible damages requested according to contractual provisions. With a view to comply with this obligation on 21.12.2018 the Company concluded a credit contract with Banca Comerciala Romana pertaining to providing a cap to issue a letter of bank security amounting to 30,150,240 valid 01.01.2019-31.12.2019.

On 20.12.2019 addendum 1 was concluded to the credit contract concluded with Banca Comerciala Romana pertaining to providing a cap to issue a letter of bank security whereby the cap value was decreased to 26,791,592 and the validity was extended until 31.12.2020.

On 10.12.2020 addendum 2 was concluded to the credit contract concluded with Banca Comerciala Romana pertaining to providing a cap to issue a letter of bank security whereby the cap value increased to 27,599,580 and the validity was extended until 31.12.2021.

The other granted guarantees are mainly represented by letters of bank indemnity issued for the contracts concluded on the centralised markets managed by OPCOM: the Centralised Market of Bilateral Contracts of electricity by extended bid (PCCB-LE), the Day-ahead Market (DAM) and the Intraday Market (PI), as well as commitments/guarantees granted under loan contracts ongoing for investments.

“Other indemnities provided” represent concessioned contracts securing the credit line contracted for the cogeneration support scheme.

**Indemnities received**

Received guarantees are mainly represented by bank letters of indemnity for good payment associated to contracts concluded on the electricity market; performance bond letters; down payment letters of indemnity associated to investment contracts and other guarantees received under contracts financed from the connection fee.

***e) Revaluation reserves on 31 December 2021***

On 31 December 2021 revaluation reserves amounted to 769,348,928 (on 31 December 2020: 841,699,025).

Beginning with 1 May 2009 reserves from revaluation of non-current assets, including lands, made after 1 January 2004, which are deducted from taxable profit calculation by means of fiscal amortisement or of expenses regarding assigned and/or disassembled assets are taxed simultaneously with the deduction of fiscal amortisement, or when such assets are taken out of management, as applicable.

Achieved reserves are taxable in the future, in case their destination is changed in any form, in case of liquidation, company merger including its use to cover accounting losses, except for transfer after 1 May 2009 of reserves mentioned in the previous paragraph.

***f) Electricity transmission and system service tariffs***

Electricity transmission tariffs are established according to a ‘revenue cap’ regulatory methodology. ANRE established by it an initial annual target revenue calculated by adding up the regulated costs and regulated profitability of recognised assets. Certain costs included in the regulated cost base are under efficiency requirements limiting the level of expenses which can be

The attached notes are integral parts of these stand-alone financial statements

## CNTEE Transelectrica SA

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recovered by regulated tariffs (controllable operation and maintenance expenses, one's own technological consumption). The series of annual target revenues calculated for a regulatory period is reprofiled by means of a linear-making procedure with a view to mitigate possible large increases / decreases of revenue from one tariff year to another. The revenue reprofiled as such is annually adjusted with the index of consumption prices.

Certain changes of the tariff mechanism can have significant impact over the recovery of the regulated amortisement of non-current assets included in the regulated asset base.

2021 is the second in a series of five consecutive years making up the fourth multiannual regulatory tariff period for electricity transmission (1 January 2020 – 31 December 2024). ANRE has established the main coordinates of this regulatory period in accordance with the specific regulatory framework, namely the methodology establishing the tariff of electricity transmission activities. In comparison with the previous form of this methodology by which tariffs were established in the previous regulatory period (1 July 2014 – 30 June 2019) and in the transition interval from the previous regulatory period to the current one (1 July 2019 – 31 December 2019), the methodology applicable when establishing tariffs for the fourth regulatory period has not undergone substantial changes.

As regards the fundamental aspects of the methodology (main elements which the regulated revenue is made of and its establishment mode, recovery of operational costs, recovery and remuneration of capital invested into regulated assets, present and the nature of stimulative items; the collection of regulated revenues), they remained unchanged, providing continuity and predictability of the regulatory framework. The detailed tariff settings for the entire current multiannual regulatory period were initially established in 2019.

The previously approved period coordinates were reviewed throughout 2021 in accordance with the applicable methodology. Such review was necessary in view of the changed tariff configuration in the sense of merging the transmission tariff with the functional services (system services) tariff. The merging of the two mentioned tariffs took place by absorbing the functional services tariff (system services) in the transmission tariff. Thus, it was necessary to revise the initial start-up (Regulated Asset Base) and approved cost scheduling settings for the regulatory period, to include assets and costs related to functional system services in the start-up settings and in the multi-year scheduling of the fourth regulatory period. Previously, the planning of costs related to the functional system services was reviewed and annually established upon approval of the functional system services tariff, the previous methodology not providing for the establishment and approval of a multi-annual planning for these costs.

In addition to merging the two tariffs mentioned above, in the process of revising the coordinates of the regulatory period, certain elements initially approved for transmission, such as the investment plan (slightly revised downwards to correct a technical error produced in the initial establishment of the schedule - programme values were initially reported in nominal terms, to schedule being necessary to adjust the values initially reported by extracting the estimated inflation for the regulatory period), the value of the Regulated Asset Base on 1 January 2020 (revised according to investments actually made in the H2 2019), starting point and the efficiency curve required for the controllable operating and maintenance costs subject to efficiency (the starting point was revised by including the costs incurred in semester 2, 2019 in the multi-annual historical average and by removing from the multi-annual historical average certain costs that were reclassified as uncontrollable during the fourth regulatory period, the efficiency curve was reduced from 1.5% to 1.0%), the forecast price of electricity purchase to cover technical losses in the transmission grid (revised by indexation with inflation achieved in semester 2, 2019).

Service	Tariff applied in 01 January - 28 February 2021 (approved by ANRE Order 214/09.12.2020)	Tariff applied in 01 March – 31 December 2021 (approved by ANRE Order 10/24.25.2021)
	Lei/MWh	Lei/MWh
Electricity transmission services	20.55	20.55
Functional system services	-	-
Technological system services	11.96	10.82

### g) Contingencies

On 31 December 2021 contingent liabilities amounted to 25,162,828. They are associated to disputes pertaining to claims, representing additional costs as a result of minimum salary indexation in constructions under investment contracts.

- File 20780/3/2020 - claimant ENERGO MONTAJ SA (7,092,389)

The attached notes are integrant parts of these stand-alone financial statements

## CNTEE Transelectrica SA

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The file pertains to claims, representing additional costs related to the minimum salary indexation in constructions and compelling to conclude an addendum to contract C54/2018.

Contract C54/2018 related to the investment project - *Refurbishing the 220/110 kV substation Craiova Nord*.

After several postponements of terms because of absent expertise report, the following term was established on **14.04.2022**.

- *File 25896/3/2020- claimant Electromontaj Bucharest (10,000,000)*

The file pertains to claims, representing additional costs related to the minimum salary indexation in constructions for the investment contract C229/2015 - *Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV / the 400 kV OHL Portile de Fier (Anina) – Resita*.

Hearing term: **12.04.2022** to submit the expertise report.

- *File 27001/3/2021 – claimant Romelectro (3,523,710)*

The file pertains to claims, representing additional costs related to the minimum salary indexation in constructions for the investment contract C264/2017 - *Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova*.

It deferred the expertise report evidence on **25.03.2022**.

- *File 22368/3/2021 – claimant Romelectro (2,275,653)*

The file pertains to claims, representing additional costs related to the minimum salary indexation in constructions for the investment contract C260/2017 – *Upgrading the 110 and 400 (220) kV installations of substation Focsani Vest*.

Hearing term: **15.04.2022**.

- *File 30801/3/2021 – claimant Romelectro (2,271,075)*

The file pertains to claims, representing additional costs related to the minimum salary indexation in constructions for the investment contract C145/2018 - *Refurbishing the 110 kV substation Medgidia Sud*.

Hearing term: **18.03.2022**.

All files pertaining to claims representing additional costs requested by claimants under work execution contracts will be shown in the amount of investments as they are settled in court and invoiced by such partners.

### • ANAF-DGAMC control

Fiscal audit of the Ministry of Public Finance, ANAF - DGAMC began on 20.12.2019 and targeted “*checking up the legality and conformity of fiscal returns and/or relevant fiscal inspection operations for fiscal inspection, the correctness and accuracy of achieved obligations to establish the taxation bases and main fiscal liabilities for value added tax in 01.01.2014-31.12.2016*”.

Such control was suspended during 25.09.2020 – 31.12.2020, resumed on 04.01.2021 and completed on 16.02.2021, issuing the Fiscal Inspection Report F-MC 18/16.02.2021.

When the inspection has ended ANAF – DGAMC issued Taxation decision F-MC 22/16.02.2021 and Decision of measures 4/16.02.2021, whereby it established additional main fiscal liabilities (principal debit) representing that it has not admitted deducting the value added tax of 01.01.2014 – 31.12.2016 in quantum of 2,140,264.

Also on 15.03.2021 ANAF – DGAMC issued Decision 211 regarding accessory fiscal liabilities representing interest rates and delay penalties associated to the principal debit and amounting to 1,834,396.

**The Company submitted request to cancel the accessory payment liabilities according to the provisions of OUG 69/2020, and ANAF – DGAMC issued Decision 1031/08.04.2021 cancelling the accessory payment liabilities in quantum of 1,834,396.**

Except for such control audit provided above, for the time being disputes are on docket with Romania’s Court of Audit pertaining to its controls made in 2013, 2017 and 2020, described in detail in the Disputes section.

Taking into account the Court of Audit’s findings recorded in the Decisions it issued after controls over the financial statements concluded each quarter, semester and year, we specify it is possible to see additional fiscal liabilities resulted for payment which cannot be accurately determined now to comply with the provisions of Standard IAS 37 - Provisions, contingent liabilities and assets.

## 27. AFFILIATED PARTIES

### i) Company Subsidiaries

Entity	Country of origin	31 December 2021 % of shares	31 December 2020 % of shares
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The attached notes are integrant parts of these stand-alone financial statements

## CNTEE Transelectrica SA

Explanatory notes to the financial statements of the financial year ended on 31 December 2021  
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SMART SA *)	Romania	100	100
TELETRANS SA	Romania	100	100
ICEMENERG SA **)	Romania	-	-
OPCOM SA	Romania	97.84	97.84
FORMENERG SA	Romania	100	100
ICEMENERG SERVICE SA	Romania	100	100

The net value of shares held by the Company in its subsidiaries was of 78,038,750 on 31 December 2021 and of 78,038,750 on 31 December 2020.

The gross value of Company's participations into its subsidiaries is the following:

### • SMART SA

Company SMART SA with headquarters in Blvd. Magheru 33, Bucharest 1 and central offices in the working location of Blvd. Gheorghe Sincai 3, Formenerg Building, 1<sup>st</sup> floor, Bucharest 4 has as main business execution of maintenance work for the transmission-dispatcher system. It was established under HG 710/19.07.2001 on 1 November 2001.

The Shareholders' General Extraordinary Assembly of Co. Smart SA approved by Decision 14/10.12.2014 to increase the capital of Co. Smart SA by contribution in kind, namely the value of lands which ownership certificates were obtained for.

On 30.12.2014 the Office of the Trade Register from Bucharest Tribunal settled the request to register the indexation of share capital of Co. Smart SA.

Beginning with 25.01.2016 a fost operată la Oficiul Național al Registrului Comerțului modificarea privind structura acționariatului la S Smart SA, respectiv menținerea referitoare la administrarea portofoliului statului, modificare impusă, potrivit article 10 din OUG nr. 86/2014, modificată și actualizată.

Thus, on 31 December 2021 the share capital of Co. SMART SA was of 38,528,600 divided into 3,852,860 nominative shares, each worth 10 Lei, which was subscribed and fully paid by the Company.

On 31 December 2021 the structure of shareholders in Co. Smart SA was the following:

CNTEE Transelectrica SA	- number of shares: 3,852,860
	- participation quota to benefits and losses: 100%

### • TELETRANS SA

Company TELETRANS SA with headquarters in Blvd. Hristo-Botev 16 – 18, Bucharest 3 and central offices in the working location of street Polona 68-72, Business Centre, Bucharest 1 has as main business maintenance services of process and managerial information, specific telecommunication and information technology services within RET, telephone, data transmissions and was established by AGA Decision 3/2002.

On 31 December 2021 the share capital was of 6,874,430 subscribed and fully paid.

### • ICEMENERG SA

Company Subsidiary of the Energy Research and Modernising Institute ICEMENERG SA with headquarters in Blvd. Energeticienilor 8, Bucharest 3 has as main business the research and development in physical and natural sciences, innovation, studies, development strategies, design activities, urbanism, engineering and other technical services, being established by HG 1065/04.09.2003.

In the Company's account books on 31 December 2021 the share capital of Subsidiary Icemenerg SA was 1,083,450 subscribed and fully paid.

\*\*) On 07.04.2014 the National Office of the Trade Register admitted file 121452/03.04.2014 pertaining to cancelling the Subsidiary Energy Research and Modernising Institute ICEMENERG SA Bucharest. Order 123/13.03.2014 (registration deed also licensing the operation) enabled recording the 'National Energy Research-Development Institute Bucharest' with the Trade Register (HGR 925/2010). The Company filed complaint against the ORC director's resolution enabling registration of cancellation for Subsidiary ICEMENERG SA Bucharest in the trade register.

Bucharest Tribunal, Section VI Civil by ruling 3569/14.07.2014 pronounced under file 15483/3/2014, where the Company was in contradiction with defendants Energy Research and Modernising Institute Icemenerg SA Bucharest and the National Energy Research-Development Institute Icemenerg Bucharest, denied the Company's complaint on grounds that HG 925/2010 was not abrogated until the cancellation date with the ORC. The Appeal Court notified on 24.02.2015 the settlement pronounced under file 15483/3/2014 namely Ruling 173/2015, denying the appeal of CNTEE Transelectrica SA as groundless, such sentence being final.

The attached notes are integrant parts of these stand-alone financial statements

## **CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

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Transelectrica SA filed cancellation contestation against Ruling 173/2015 pronounced by the Appeal Court Bucharest, under file 1088/2/2015 found on the docket of the Appeal Court Bucharest, Section VI Civil, with hearing term on 13.05.2015. On 13.05.2015 Ruling 777/2015 of the Appeal Court Bucharest denied as groundless the cancellation contestation, such ruling being final.

In 2015 the Company registered impairment allowance amounting to 1,083,450 for the shares held in the Subsidiary Energy Research and Modernising Institute ICEMENERG SA Bucharest which was cancelled.

At its reunions of 28.03.2016 and 30.08.2016 AGEA did not approve reducing the share capital of CNTEE Transelectrica SA by 1,084,610 Lei, representing the share capital subscribed and paid of Subsidiary ICEMENERG SA Bucharest, by diminishing the Romanian State's participation to the share capital of CNTEE Transelectrica SA, in the application of provisions from HG 925/2010.

### - **OPCOM SA**

Company OPCOM SA with headquarters in Blvd. Hristo Botev 16-18, Bucharest 3, with legal personality has as main business the organisation, administration and supervision of the energy market and was established by HG 627/2000.

On 31 December 2021 the share capital was of 31,366,090, of which 8,778,790 represents share capital subscribed and fully paid. The share capital difference amounting to 22,587,300 is represented by the Company's contribution in kind, namely intangible assets: the 'Electricity trade exchange OPCOM' and the 'Regional electricity exchange OPCOM', financed from the Company's own sources and from IBRD funds and valued according to the Valuation Report 786/15.03.2016 issued by JPA Audit & Consultancy SRL.

The amendment in the articles of association of Co. OPCOM SA based on AGEA Decision 6/15.06.2016 was recorded on 11.07.2016 at ONRC according to the Registration Certificate of mentions.

On 31.12.2018 the share capital represented by indexation with the Company's contribution in kind amounting to 22,587,300 was registered in the financial statements submitted by OPCOM to AGA's approval, being specified as share capital subscribed and not fully paid.

On 13.02.2018 the Shareholders' general extraordinary assembly of Subsidiary OPCOM SA approved increasing the share capital of Company Electricity and Natural Gas Market Operator OPCOM SA ("OPCOM SA") by 678,790 Lei by contribution in kind represented by the value of land which the company obtained the land Ownership Certificate for, series M03 12899/27.02.2014 issued by the Ministry of Economy. Such contribution in kind was evaluated by an expert valuator designated by the ONRC. In exchange for the contribution in kind to the share capital the company issued to the new shareholder Romanian State through the Ministry of Economy a number of 67,879 new nominative shares of 10 Lei nominal value each.

On 20.03.2019 On 20.03.2019 the Office of the National Trade Register from Bucharest Tribunal settled the registration request of share capital increase of OPCOM SA.

On 31 December 2021 the share capital of OPCOM SA was of 31,366,090 Lei, representing a number of 3,136,609 nominative shares of 10 Lei each and a 97.84% participation quota of CNTEE Transelectrica SA to benefits and losses.

### - **FORMENERG SA**

Company FORMENERG SA with headquarters in Blvd. Gh. Sincai 3, Bucharest 4, with legal has as main business the initial and continuous professional training in all domains of activity for power engineering personnel, as well as for other beneficiaries and it was established by AGA Decision 33/2001.

On 31 December 2021 the share capital was of 1,948,420, subscribed and fully paid.

### - **ICEMENERG SERVICE SA**

Societatea ICEMENERG SERVICE SA cu sediul în municipiul București, Bd. Energeticienilor, nr. 8, sectorul 3 are ca obiect de activitate conceperea, producerea, implementarea, repararea, modernizarea și comercializarea în țară și în străinătate de aparate, echipamente, instalații specializate.

HG 2294/09.12.2004 approved the transfer of the shares package held by the Trading Company Subsidiary Energy Research and Modernising Institute ICEMENERG SA Bucharest in the Trading Company Subsidiary ICEMENERG-SERVICE SA Bucharest to the National Power Grid Company Transelectrica SA.

The Company registered in 2016 impairment allowance amounting to 493,000 for the shares held in Subsidiary ICEMENERG SERVICE SA.

On 31 December 2021 the share capital was of 493,000, subscribed and fully paid.



**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

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On 09.06.2017 Bucharest Tribunal, Section VII Civil ordered the bankruptcy by simplified procedure of debtor Company Subsidiary ICEMENERG SERVICE SA, designating Solvendi SPRL as provisional judiciary liquidator.

**ii) Affiliated parties – main economic-financial indicators achieved by Company Subsidiaries on 31.12.2020**

The main economic-financial indicators achieved by the Company's subsidiaries on 31 December 2020 (last financial year when subsidiaries' financial statements were approved) were the following:

Indicators	SMART	TELETRANS	OPCOM	FORMENERG	ICEMENERG SERVICE
Turnover	79,396,776	34,099,479	42,813,572	1,463,549	414,276
Gross profit / (loss)	(3,954,946)	43,023	9,722,730	(2,169,315)	(563,933)
Share capital paid	38,528,600	6,874,430	31,366,090	1,948,420	493,000
Share capital unpaid	-	-	-	-	-
Reserves	20,739,889	16,054,328	9,539,276	1,721,953	12,709
Shareholders' equities - total	90,722,955	28,119,740	37,850,804	5,934,956	763,750

**iii) Affiliated parties – transactions with Company-held Subsidiaries**

On 31 December 2021 and 31 December 2020 the balances of Company subsidiaries are detailed as follows:

Affiliated entity	Trade receivables		Trade liabilities	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
SMART SA	713,183	347,748	8,944,881	8,265,157
TELETRANS SA	145,830	140,261	13,435,678	11,531,976
FORMENERG SA	-	-	-	-
OPCOM SA	634,763,661	63,087,051	627,502,394	55,153,620
<b>TOTAL</b>	<b>635,622,674</b>	<b>63,575,060</b>	<b>649,882,953</b>	<b>74,950,753</b>

Transactions performed in 2021 and 2020 with the subsidiaries are detailed below:

Affiliated entity	Sales		Procurements	
	2021	2020	2021	2020
SMART SA	681,299	864,254	86,090,412	73,009,826
TELETRANS SA	428,161	934,898	32,623,984	31,632,606
FORMENERG SA	-	-	-	285,935
OPCOM SA	2,257,962,163	335,754,542	1,171,195,512	359,739,734
<b>TOTAL</b>	<b>2,259,071,623</b>	<b>337,553,694</b>	<b>1,289,909,908</b>	<b>464,668,101</b>

In 2021 the Company cashed dividends from subsidiary TELETRANS in quantum of 21,512.

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

The Company is an entity with majority state capital.

As provided in Note 1 ("Legislative environment"), Company activities are regulated by ANRE. At the same time as provided in Note 3 (b), annual royalty is paid in accordance with the Concession Contract, calculated as 1/1000 from electricity transmission services, depending on the quantity actually transmitted (by 11 November 2020), namely 4/1000 of the gross revenues achieved from electricity transmission and transit through national transmission systems found under state public property (beginning with 12 November 2020).

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021  
(All amounts are expressed in LEI, unless otherwise provided)

**28. SALARIES of COMPANY MANAGEMENT**

Salaries paid to employees hired under Individual Labour Contract (CIM) in managerial positions for services provided comprise mainly basic salary, benefits when the labour contract ends and post employment, as well as fixed and variable components for Directorate and Supervisory Board members.

These are detailed as follows:

	<b>2021</b>	<b>2020</b>
<u>Employees under CIM in managerial positions</u>		
Short-term benefits	25,180,951	22,443,701
Other long-term benefits	246,351	207,638
<u>Directorate and Supervisory Board members</u>		
Fixed component	3,975,089	3,127,933
Variable component	-	-
<b>Total</b>	<b>29,402,391</b>	<b>25,779,272</b>

In 2020 the Company completed the selection for Company's Supervisory Board and Directorate members in accordance with the provisions of OUG 109/2011 on the corporative governance of public enterprises, with later amendments and additions.

Supervisory Board and Directorate members were appointed in accordance with OUG 109/2011 and their mandate contract was approved for 4 years.

The Shareholder's General Ordinary Assembly of 28 September 2020 issued Decision 10 which approved the mandate contract and the remuneration of Supervisory Board members, contract being signed on 30 September 2020.

AGOA Decision 4 of 22 June 2021 approved recalling the Supervisory Board members selected according to the provisions of OUG 109/2011 and approved appointing other provisional Supervisory Board members. At the same time the mandate contract was approved and the remuneration for such provisional Supervisory Board members.

**29. FINANCIAL INSTRUMENTS*****Financial risk management***

The Company is exposed to the following risks ensuing from financial instruments: market risk (interest rate and hard currency risk), credit and liquidity risks. The Company's overall management is centred on the financial market's unpredictability and it aims at minimising the potential adverse effects over the Company's financial performance. The market risk is that producing changes of market prices, such as currency exchange and interest rate, which will impact Company revenues or the value of financial instruments held.

The Company has no formal commitments to fight financial risks. Nevertheless the management monitor financial risks with emphasis placed on the Company's needs to efficiently compensate opportunities and threats.

This note provides information about the Company's exposure to the above-mentioned risks, about the objectives, policies and processes related to risk assessment and management, as well as about the Company's capital management.

***Interest rate risk***

The Company's operational cash flows are impacted by the variable interest rate, mainly from the non-current loans in hard currency contracted from foreign financing banks. The Company has significant long-term loans of variable interest, which can expose the Company to cash risks.

The cash flow risk determined by the interest rate is the risk that interest and consequently its expense can fluctuate in time.

On the balance elaboration date the Company's ratio between financial instruments with fixed interest and those with variable interest is provided further:

	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Financial instruments with fixed interest rate</b>		
Financial liabilities	104,327,031	126,381,074
<b>Financial instruments with variable interest rate</b>		
Financial liabilities	-	-

The attached notes are integrant parts of these stand-alone financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)***Hard currency risk**

The Company can be exposed to exchange rate fluctuations by its cash and cash equivalents, non-current loans or trade liabilities expressed in hard currency.

The Company's functional currency is the Romanian Leu. The Company is exposed to hard currency risks under cash and cash equivalents, procurements and borrowings made in other currency than the functional one. The currencies that expose the Group to such risk are mainly EUR, but USD as well. Hard currency loans and liabilities are subsequently expressed in Lei at the exchange rate of the balance date, notified by Romania's National Bank. Resulting differences are included in the profit and loss account, but they do not impact the cash flow until the liability is liquidated.

The Company's exposure to the hard currency risk, expressed in RON was the following:

<b>31 December 2021</b>	<b>Amount</b>	<b>RON</b>	<b>EUR</b>	<b>USD</b>
<b>Monetary assets</b>				
Cash and cash equivalents	252,225,142	246,056,817	6,145,589	22,736
Other financial assets	-	-	-	-
Receivables	2,995,581,608	2,560,571,277	435,010,331	-
<b>Gross exposure</b>	<b>3,247,806,750</b>	<b>2,806,628,094</b>	<b>441,155,920</b>	<b>22,736</b>
<b>Monetary liabilities</b>				
Suppliers and other liabilities	3,078,891,134	2,379,194,861	699,696,273	-
Loans	104,327,031	-	104,327,031	-
<b>Gross exposure</b>	<b>3,183,218,165</b>	<b>2,379,194,861</b>	<b>804,023,304</b>	<b>-</b>
<b>Net exposure in the financial position statement</b>	<b>64,588,585</b>	<b>427,433,233</b>	<b>(362,867,384)</b>	<b>22,736</b>

The attached notes are integrant parts of these stand-alone financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

<b>31 December 2020</b>	<b>Amount</b>	<b>RON</b>	<b>EUR</b>	<b>USD</b>
<b>Monetary assets</b>				
Cash and cash equivalents	554,003,528	509,049,221	44,954,070	237
Other financial assets	-	-	-	-
Trade and other receivables	847,936,655	739,637,488	108,299,167	
<b>Gross exposure</b>	<b>1,401,940,183</b>	<b>1,248,686,709</b>	<b>153,253,237</b>	<b>237</b>
<b>Monetary liabilities</b>				
Suppliers and other liabilities	942,937,190	734,303,580	208,633,610	-
Loans	126,381,074	-	126,381,074	
<b>Gross exposure</b>	<b>1,069,318,264</b>	<b>734,303,580</b>	<b>335,014,684</b>	<b>-</b>
<b>Net exposure in the financial position statement</b>	<b>332,621,919</b>	<b>514,383,129</b>	<b>(181,761,447)</b>	<b>237</b>

Trade and other receivables, as well as other liabilities, except the asset suppliers are expressed only in RON.

The following exchange rates were applied:

	<b>Average rate</b>		<b>Exchange rate on</b>	
	<b>2021</b>	<b>2020</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
RON/ EURO	4.9204	4.8371	4.9481	4.8694
RON/ USD	4.1604	4.2440	4.3707	3.9660

	<b>Loss in 2021</b>	<b>Loss in 2020</b>
EUR	(36,286,738)	(18,176,145)
USD	-	-
JPY	-	-
<b>Total</b>	<b>(36,286,738)</b>	<b>(18,176,145)</b>

**Credit risk**

The credit risk means that under which the Group incurs financial loss as consequence of a client's failure to comply with contractual obligations or counterparty's to a financial instrument. This risk comes mainly from receivables and cash and cash equivalents.

The counterparty risk treatment relies on Company's internal and external success factors. External success factors, which systematically reduce this risk are: decentralising the energy sector with distinct generation, transmission, distribution and supply activities, and the client interface is represented by the supplier; electricity transactions on the Romanian market takes place on two market segments: the regulated and the competitive market. Internal success factors for the treatment of the counterparty risk include: diversifying the clients' portfolio as well as the number of services provided on the electricity market.

Financial assets that might expose the Company to the collection risk are mainly trade receivables and cash and cash equivalents. The Company has applied a number of policies providing that services are sold to clients with proper collection, by including in trading contracts their obligation to constitute financial securities. The value of receivables net of value loss allowances represents the maximum amount subjected to the collection risk.

The collection risk associated to such receivables is limited since such amounts are mainly owed by state-owned companies.

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

The maximum exposure to the collection risk on the report date was:

	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Financial assets</b>		
Net trade receivables	2,049,045,366	714,534,816
Other net receivables and down payments to suppliers	824,401,867	99,440,901
VAT to recover	122,134,375	33,960,938
Cash and cash equivalents	252,225,142	554,003,528
Other financial assets	-	-
<b>Total</b>	<b>3,247,806,750</b>	<b>1,401,940,183</b>

The age of **receivables** on the elaboration date of the financial position statement was:

	<b>Gross value 31 December 2021</b>	<b>Provision 31 December 2021</b>	<b>Gross value 31 December 2020</b>	<b>Provision 31 December 2020</b>
Not reached to maturity	1,935,282,443	43,381	624,754,181	366,827
Due date exceeded 1 – 30 days	22,558,019	-	241,655	10,280
Due date exceeded 31 – 90 days	(343,107)	-	708,288	5
Due date exceeded 90 – 180 days	13,072,815	12,540,751	4,209	3,244
Due date exceeded 180 – 270 days	92,051	22,582	115,894	16,794
Due date exceeded 270 – 365 days	622,364	74,967	25,501	9,349
More than one year	222,868,727	132,426,265	223,418,967	134,327,381
<b>Total</b>	<b>2,194,153,312</b>	<b>145,107,946</b>	<b>849,268,695</b>	<b>134,733,880</b>

The age of **other receivables** on the elaboration date of the financial position statement was:

	<b>Gross value 31 December 2021</b>	<b>Provision 31 December 2021</b>	<b>Gross value 31 December 2020</b>	<b>Provision 31 December 2020</b>
Not reached to maturity	915,346,210	8,469,053	96,274,766	27,596
Due date exceeded 1 – 30 days	197,143	14	4,024,018	275,198
Due date exceeded 31 – 90 days	11,358,697	2,107,673	6,024,297	23,676
Due date exceeded 90 – 180 days	1,350,180	483,743	1,341,947	249,176
Due date exceeded 180 – 270 days	1,170,464	482,365	4,924,105	3,136,088
Due date exceeded 270 – 365 days	3,420,760	970,217	714,798	641,101
More than one year	80,611,154	54,405,301	76,953,045	52,502,302
<b>Total</b>	<b>1,013,454,608</b>	<b>66,918,366</b>	<b>190,256,976</b>	<b>56,855,137</b>

Transelectrica's policy consists in recording 100% impairment allowances for value losses for clients under disputes, insolvency and bankruptcy and 100% of trade receivables and other receivables not collected within 180 days, except for outstanding receivables generated by the support scheme. Also the Company makes individual analysis of trade receivables and other uncollected receivables.

The greatest impairment allowances on 31 December 2021, calculated for trade receivables and their associated penalties were registered for CET Govora (24,911,438), Eco Energy SRL (24,736,066), Petprod SRL (23,539,650), Arelco Power (14,788,022), Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Romelectro SA (12,955,958), GETICA 95 (12,540,731), Elsaco Energy (9,276,118), and RAAN (8,516,707).

The Company took the following steps to recover such receivables adjusted for depreciation: court proceedings, registration in the creditors' table, requesting explanations from ANAF (for the VAT amount to be cashed from Opcom) etc.

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021  
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The development of **impairments allowances for clients** was the following:

	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Balance on 1 January</b>	<b>134,733,880</b>	<b>135,508,897</b>
Recognition of impairment allowances	14,686,349	1,364,509
Impairment allowances resumed	4,312,283	2,139,526
<b>Balance on period end</b>	<b>145,107,946</b>	<b>134,733,880</b>

The development of **impairment allowances for other receivables** was the following:

	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Balance on 1 January</b>	<b>56,855,137</b>	<b>52,494,869</b>
Recognition of impairment allowances	14,780,396	5,100,534
Impairment allowances resumed	4,717,167	740,267
<b>Balance on the period end</b>	<b>66,918,366</b>	<b>56,855,137</b>

**Liquidity risk**

This is the risk according to which the Company might meet difficulties when performing obligations associated to financial liabilities settled in cash or by transfer of another financial asset.

A prudential risk management policy means maintaining sufficient cash and cash equivalents, and finance availability by means of adequate credit facilities.

	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Assets</b>		
Monetary assets in RON	2,806,628,094	1,248,686,709
Monetary assets in foreign currency	441,178,656	153,253,474
	<b>3,247,806,750</b>	<b>1,401,940,183</b>
<b>Liabilities</b>		
Monetary liabilities in RON	(2,379,194,861)	(734,303,580)
Monetary liabilities in foreign currency	(804,023,304)	(335,014,684)
	<b>(3,183,218,165)</b>	<b>(1,069,318,264)</b>
<b>Net monetary position in RON</b>	<b>427,433,233</b>	<b>514,383,129</b>
<b>Net monetary position in foreign currency</b>	<b>(362,844,648)</b>	<b>(181,761,447)</b>

The attached notes are integrant parts of these stand-alone financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

The following table provides the contractual due date of financial liabilities, including interest payment:

<b>31 December 2021</b>	<b>Net amount</b>	<b>Contractual amount</b>	<b>&lt; 12 months</b>	<b>1 – 2 years</b>	<b>2 – 5 years</b>	<b>&gt; 5 years</b>
<b>Financial liabilities</b>						
Suppliers and other liabilities	(3,064,567,473)	(3,064,567,473)	(2,977,373,973)	(80,988,427)	(6,205,073)	-
Other tax and social security liabilities	(14,323,661)	(14,323,661)	(14,323,661)	-	-	-
Loans	(104,327,031)	(104,327,031)	(24,871,963)	(47,718,857)	(30,308,875)	(1,427,336)
<b>Total</b>	<b>(3,183,218,165)</b>	<b>(3,183,218,165)</b>	<b>(3,016,569,597)</b>	<b>(128,707,284)</b>	<b>(36,513,948)</b>	<b>(1,427,336)</b>

  

<b>31 December 2020</b>	<b>Valoare netă</b>	<b>Valoarea contractuală</b>	<b>&lt; 12 luni</b>	<b>1 – 2 ani</b>	<b>2 – 5 ani</b>	<b>&gt; 5 ani</b>
<b>Financial liabilities</b>						
Suppliers and other liabilities	(925,925,761)	(925,925,761)	(830,891,067)	(64,502,790)	(30,531,904)	-
Other tax and social security liabilities	(17,011,429)	(17,011,429)	(17,011,429)	-	-	-
Loans	(126,381,074)	(126,381,074)	(24,709,805)	(23,479,942)	(70,439,826)	(7,751,501)
<b>Total</b>	<b>(1,069,318,264)</b>	<b>(1,069,318,264)</b>	<b>(872,612,301)</b>	<b>(87,982,732)</b>	<b>(100,971,730)</b>	<b>(7,751,501)</b>

The attached notes are integral parts of these stand-alone financial statements

**CNTEE Traselectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)***Fair value of financial instruments**

The fair value is that which the financial instrument can be changed at under habitual transactions performed in objective conditions between stakeholders knowingly, others than those determined by liquidation or forced sale. Fair values can be obtained from quoted market prices or cash flow models, as applicable. On 31 December 2021 and 31 December 2020 the management considered the fair value of cash and cash equivalents, trade and other receivables, trade liabilities, borrowings and other current liabilities approximates their accounting value. The accounting value of borrowings is their amortised cost.

<b>31 December 2021</b>	<b>Book value</b>	<b>Fair value</b>
<b>Financial assets</b>		
Net trade receivables	2,049,045,366	2,049,045,366
Other net receivables	824,401,867	824,401,867
VAT to recover	122,134,375	122,134,375
Cash and cash equivalents	252,225,142	252,225,142
Other financial assets	-	-
	<b>3,247,806,750</b>	<b>3,247,806,750</b>

<b>31 December 2021</b>	<b>Book value</b>	<b>Fair value</b>
<b>Non-current financial liabilities</b>		
Loans, less bonds	79,455,068	79,455,068
Bonds	-	-
	<b>79,455,068</b>	<b>79,455,068</b>

<b>31 December 2021</b>	<b>Book value</b>	<b>Fair value</b>
<b>Current financial liabilities</b>		
Suppliers, including asset suppliers	3,064,493,705	3,064,493,705
Loans, less bonds	24,871,963	24,871,963
Bonds	-	-
Amounts owed to employees and other liabilities	23,226,682	23,226,682
	<b>3,112,592,350</b>	<b>3,112,592,350</b>

<b>31 December 2020</b>	<b>Book value</b>	<b>Fair value</b>
<b>Financial assets</b>		
Trade receivables	714,534,816	609,654,811
Other net receivables	99,440,901	89,455,235
Cash and cash equivalents	33,960,938	7,240,202
Other financial assets	554,003,528	320,768,647
	<b>1,401,940,183</b>	<b>1,112,118,895</b>

<b>31 December 2020</b>	<b>Book value</b>	<b>Fair value</b>
<b>Non-current financial liabilities</b>		
Loans, less bonds	101,671,269	122,835,499
Bonds	-	-
	<b>101,671,269</b>	<b>122,835,499</b>

The attached notes are integrant parts of these stand-alone financial statements



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**31 December 2020**

	<b>Book value</b>	<b>Fair value</b>
<b>Current financial liabilities</b>		
Suppliers, including asset suppliers	916,872,743	554,184,468
Loans, less bonds	24,709,805	55,566,735
Bonds	-	-
Amounts owed to employees and other liabilities	26,064,447	17,373,360
	<b>967,646,995</b>	<b>627,124,563</b>

*Categories of financial instruments*

	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Financial assets</b>		
Monetary availabilities	252,225,142	554,003,528
Receivables	2,995,581,608	847,936,655
<b>Financial liabilities</b>		
Amortised cost	3,183,218,165	1,069,318,264

*Personnel and salary system risk*

On 31 December 2021 the Company's personnel medium age is high. There is a possibility for the Company to be faced with personnel deficit because of employees' departures for natural causes.

Another personnel risk is the possible departure of highly qualified employees to the private sector, which might provide salary packages and compensations above the current ones in the Company.

*Capital risk management*

The Company's policy consists in maintaining a strong capital base in order to preserve investors, creditors and a confident market, as well as to develop the business in the future.

*Indebtedness indicator*

	<b>31 December 2021</b>	<b>31 December 2020</b>
Non-current and current loans	104,327,031	126,381,074
Monetary availabilities	252,225,142	554,003,528
Other financial assets	-	-
	<b>(147,898,111)</b>	<b>(427,622,454)</b>
Shareholders' equities	3,355,101,973	3,395,499,697
Indebtedness	-	-

**30. FEES CHARGED BY EACH STATUTORY AUDITOR OR AUDIT COMPANY**

The fees charged by each statutory auditor or audit company for statutory audits of annual financial statements, as well as total fees charged by each statutory auditor of audit company for other insurance services, for fiscal consultancy and other services than audit, in accordance with pt. 38 of Annex 1 to OMFP 2844/2016 with later amendments and additions, associated to 2021 financial year, have been as follows:

- **PKF Finconta SRL** – Contract 467/23.12.2021 – “Financial audit services for 2021-2023” including the following services:
  - Audit of stand-alone financial statements elaborated in accordance with OMFP 2844/2016;
  - Audit of consolidated financial statements elaborated in accordance with IFRS adopted by the European Union;
  - Issuing the Report on the Annual Report's compliance with annual stand-alone financial statements;
  - Issuing the Report on the Consolidated Annual Report's compliance with annual consolidated financial statements;
  - Audit services with respect to the compliance with financial covenants from loan contracts concluded / to be concluded with commercial banks / International Financial Institutions;

The attached notes are integral parts of these stand-alone financial statements

## CNTEE Transelectrica SA

Explanatory notes to the financial statements of the financial year ended on 31 December 2021  
(All amounts are expressed in LEI, unless otherwise provided)

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- Audit services with respect to compliance with financial covenants specified in the Bond issuance Prospect / Programme for financial years;
- Auditing the revenues achieved from the supply of telecommunication networks in view of certifying the revenues and the compliance with accounting records to determine the monitoring tariff by the public regulatory authority in electronic communications (ANCOM) according to applicable legislation (on the elaboration date of these terms - Decision 2892/2007);
- Audit services for the indicators assumed in the Administration Plan / management component of the Administration Plan for payment of rights provided in mandate contracts concluded with the Company's Directorate and Supervisory Board members, namely issuing a Report certifying the accuracy of calculations for financial indicators assumed under Mandate Contracts the Company concluded with each Directorate and Supervisory Board member of Transelectrica;
- Services analysing the transactions reported by the Company according to article 92<sup>3</sup> of Law 24/2017 on the issuers of financial instruments and market operations and submission to the Company of reports mentioned in article 92<sup>3</sup>, para (5) and (6) of Law 24/2017 on the issuers of financial instruments and market operations;
- Additional reports according to the requirements of article 94 para (1) let b) of Law 24/2017 on the issuers of financial instruments and market operations, elaborated according to financial audit standards and to the reporting framework defined in the international accounting standards and by ASF regulations about operations complained about by shareholders representing at least 5% of the total voting rights. The financial auditor's additional report contains all the information about the operations complained about by shareholders and is executed according to Regulation 5/2018 issued by ASF regarding the issuers of financial instruments and market operations;

The fee charged for the audit of stand-alone financial statements of 2021 financial year amounted to 314,000 which is added VAT.

- **PKF Finconta SRL** – Contract 46/23.02.2021 – “Services to constitute the File on transfer prices charged by CNTEE Transelectrica SA under its transactions with affiliated persons in 2020”, amounting to 13,000 Lei which is added VAT, services paid in 2021.

## 31. ENVIRONMENTAL OBJECTIVES

NPG Co. Transelectrica SA has implemented an integrated quality management system, environment, health and labour safety, through which it efficiently manages the environmental aspects related to electricity transmission, as well as the maintenance and modernization of RET, to prevent pollution and increase environmental performance.

The Company's concern for environmental protection is also reflected in the Policy Statement of the integrated management system in the fields of quality, environment, health and labour safety.

The development strategy has as fundamental objective the fulfillment of the needs and expectations of its clients and other stakeholders, in an Integrated Management System quality, environment, health and labour safety, implemented, certified, maintained and continuously improved according to the requirements of SR standards. EN ISO 9001: 2015, SR EN ISO 14001: 2015 and SR ISO 45001: 2018.

In order to achieve this strategy and achieve lasting success, the Company's management is committed to ensuring:

- the operation of the power system under the conditions established by European and national regulations in primary and secondary legislation, in order to meet the needs and expectations of customers and other stakeholders;
- the necessary organizational framework for establishing, analyzing and implementing the objectives of the Integrated Management System quality, environment, health and labour safety;
- sustainable development and reduction of the negative impact of RET on the environment by:
  - ✓ identification of environmental aspects / risks and associated opportunities,
  - ✓ monitoring environmental factors, preventing and combating pollution by using the best available technologies and avoiding the alteration of natural habitats, especially of protected natural areas,
  - ✓ decontamination, rehabilitation or ecological reconstruction of land areas and water surfaces affected by the Company's activities.

Regarding climate change, in the list of objectives approved at Company level there are two specific objectives:

- prevention and reduction of fluorinated greenhouse gas (GHG) emissions: SF<sub>6</sub>, ozone, freon etc. ;
- prevention and reduction of air pollution by meeting the permissible limits of the concentration of pollutants emitted into the atmosphere (emissions from thermal power plants and cars).

At the level of NPG Co. Transelectrica SA, the Report on the Analysis of the Integrated Management System is annually elaborated and a program of measures for the continuous improvement of IMS (including EMS) is approved.

The attached notes are integral parts of these stand-alone financial statements

**32. LATER EVENTS**

- **Common 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 communicated the first stage of common regional test (Full Integration Testing –FIT) ended successfully on 13 January 2022.

FIT testing focused on the functionality of all systems involved in FB MC and it proved such solution is able to provide the FB MC.

The following test stage (Simulation Integration Testing –SIT) began on 17 January 2022 and expectations are to last until the end of February 2022.

SIT relies on testing the common operational procedures in order to prove this solution is able to facilitate daily operations.

After the tests performed in January and the alignment of the external party (SDAC), project parties can now confirm the new launch date on 20 April 2022 (transaction day for delivery on 21 April 2022).

- **Convening the shareholders' general ordinary and extraordinary assembly**

The Company's Directorate on 25 February 2022 convened the Shareholders' general ordinary and extraordinary assembly, with the following main items in the agenda:

- Establishing the 2022 Investment Plan and estimations for 2023 and 2024
- Approving the 2022 Revenue and Expense Budget and estimations for 2023 and 2024
- Approving the Company's exit from the shareholders of the regional operational security centre coordinating the power systems of south-eastern Europe – Selene CC;

- **CNTEE Transelectrica SA accepted the upgrade of Transformer Substation Roman Nord**

On 2 February 2022 the Company issued press release about its completing Substation Roman Nord, an investment amounting to 17 million Lei achieved from one's own sources, completing the major refurbishment of the 400 kV axis Moldova, together with substations Bacau Sud, Gutinas and Suceava, which were refurbished during previous stages.

The upgrade of Substation Roman Nord, which began in 2018, provided implementation of modern technological standards facilitating the automatic remote control under safe conditions.

- **ANRE Decision**

On 21 February 2022 Transelectrica informed the shareholders and stakeholders that ANRE by its General Directorate Licences, Tariffs, Investment Monitoring communicated to the Company on 18.02.2022 ANRE Decision 167/16.02.2022 applying Civil sentence 3982/08.10.2018 of the Appeal Court Bucharest, remaining final by Ruling 2688/2021 of the High Court of Cassation and Justice.

ANRE document, number 29104/17.02.2022 established as follows:

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

- 01.07.2015 – 30.06.2016 amounting to 676.67 Lei/h-unit and
- 01.07.2016 – 30.06.2017 amounting to 713.42 Lei/h-unit;

The price difference resulting from prices approved by ANRE under Decisions 1377/25.06.2015 and 1035/22.06.2016 as against Decision 167/16.02.2022 is in quantum of 21,340,716 Lei.

Transelectrica will pay Hidroelectrica the total amount previously mentioned until 31.12.2022.

The Company will fully recover the total amount mentioned in quantum of 21,340,716 Lei by means of the regulated tariff of system services in the following tariff interval.

- **Agreement for EIB consultancy services**

On 23 February 2022 the Company informed shareholders and stakeholders it signed an agreement for assistance services with the European Investment Bank (EIB) for free.

The signed agreement is an important step to smooth the processes and expedite the investments provided by Transelectrica in the 10 years' Development Plan of the Electricity Transmission Grid.

- **Decision 1 of the Company's Shareholders' General Ordinary Assembly of 25 February 2022**

On 25 February 2022 the Company's Shareholders' General Ordinary Assembly issued Decision 1 by which:

- It established the 2022 Investment Plan and estimations for 2023 and 2024
- It approved the Company's 2022 Revenue and Expense Budget and estimations for 2023 and 2024;

- **Decision 2 of the Company's Shareholders' General Ordinary Assembly of 25 February 2022**

On 25 February 2022 the Company's Shareholders' General Extraordinary Assembly issued Decision 2 by which:

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements of the financial year ended on 31 December 2021

*(All amounts are expressed in LEI, unless otherwise provided)*

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- It approved Company's exit from the shareholders of the regional operational security centre coordinating the power systems of south-eastern Europe – Selene CC, with full recovery of invested capital into this company to date (50,000 Euro).

- **Romelectro SA became insolvent**

On February 2022 Romelectro, one of the Company's important partners for investments entered insolvency upon its own request. On the signing date of these financial statements the Company's management are considering the situation and the impact it might have in juridical and economic terms, so as to find optimum solutions to continue investments and provide financial resources required for such investments, taking into account certain investments are financed from various sources (e. g.: non-returnable funds, own sources, etc.). On 31 December 2021 the value of investments underway with Romelectro amounted to 457,712,584 Lei.

The provided stand-alone financial statements were signed by Company management on 17 March 2022:

**DIRECTORATE,**

<b>Chairman</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>
<b>Gabriel ANDRONACHE</b>	<b>Florin-Cristian TATARU</b>	<b>Stefanita MUNTEANU</b>	<b>Catalin-Constantin NADOLU</b>	<b>Marius-Viorel STANCIU</b>

**Director, Economic-Financial and Administrative Unit**  
**Ana-Iuliana DINU**

**Manager, Accounting Department**  
**Georgiana-Beatrice STEFAN**

The attached notes are integrant parts of these stand-alone financial statements