



Societate Administrată în Sistem Dualist

Compania Națională de Transport al Energiei Electrice
Transelectrica SA - Punct de lucru: Str. Olteni, nr. 2-4, C.P. 030786, București
România, Număr înregistrare Oficiul Registrului Comerțului J40/8060/2000,
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Capital subscris și vărsat: 733.031.420 Lei
www.transelectrica.ro

No 13607/23.03.2022

NOTE

regarding the approval by the Shareholders' General Assembly of the Consolidated Financial Statements of NPG Co. Transelectrica S.A. for the financial year ended on 31.12.2021

Pursuant to art. 14, para. (1) letter a) of NPG Co. Transelectrica S.A.'s Articles of Association, updated by SEGA Decision no. 12/21.12.2020, **we submit for approval by the Shareholders' General Assembly the Consolidated Financial Statements of NPG Co. Transelectrica S.A. for the financial year 2021**, taking into account the following aspects:

- ✓ In accordance with the provisions of MFP Order no. 881/2012, starting with the financial year 2012, trading companies whose securities are admitted to trading on a regulated market (the capital market) apply the International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRS - EU) when drafting annual financial statements.
- ✓ MFP Order no. 2844/2016 for approving the Accounting Regulations in accordance with the International Financial Reporting Standards, provides in Section 4.1., Art. 21 - "Drafting the consolidated annual financial statements" the following:
"An entity, consolidating parent company (entity, Romanian legal entity, with one or more subsidiaries, which consolidates the financial statements of the group it's part of), must draw up consolidated financial statements and a consolidated report of the administrators under the conditions laid down by IFRS".

The consolidated financial statements of NPG Co. Transelectrica S.A. have been drawn up according to International Accounting Standard (IAS) 27 "Consolidated financial statements and accounting for investments in subsidiaries".

A subsidiary is an entity controlled by another entity, known as the parent company, as defined by IAS 27. In accordance with IAS 27, it is assumed that there is control when the parent company owns more than half of the voting rights of an entity, unless, in exceptional situations, it can be clearly demonstrated that this form of ownership does not ensure control. The control is the authority to manage the financial and operational policies of an entity, in order to obtain benefits from its activity.

NPG Co. Transelectrica S.A. included in the Consolidated financial statements drawn up as of December 31, 2021 the following subsidiaries: Smart S.A. and Teletrans S.A. .

Formenerg S.A. and Icemenerg Service S.A. subsidiaries are considered insignificant in terms of consolidation, and Opcom S.A. subsidiary cannot be consolidated because this subsidiary, through its main activity, has an independent position on the electricity market.

Intra-group balances and transactions, as well as internal dividends, are eliminated when drafting the consolidated financial statements.

Following the above-mentioned information, pursuant to art. 14, para. (1) letter a) of NPG Co. Transelectrica S.A.'s Articles of Association, updated by SEGA Decision no. 12/21.12.2020, **we**

submit for approval by the Shareholders' General Assembly the Consolidated Financial Statements of NPG Co. Transelectrica S.A. **for the financial year 2021**, as follows:

- statement of financial positions;
- profit and loss account and statement of comprehensive income;
- statement of changes in equity;
- statement of cash flows;
- explanatory notes to the annual financial statements.

DIRECTORATE

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

Endorsed,

Director, UJCRU Alina-Elena FILIPOIU	Director, DJC-UJCRU Adina-Georgiana DAVID
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**f. Manager, DAJANT
Raluca DUMITRU-
ȘERBACOV**

Elaborated,

Director, UEFA Ana-Iuliana DINU	Manager, DBRM Cristiana ZIRNOVAN
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NPG TRANSELECTRICA SA

Two-Tier Company

Consolidated Financial Statements as at and for the financial year ended on December 31, 2021

Prepared in accordance with the
Order of the Ministry of Public Finance no. 2844/2016
as subsequently amended and supplemented
on the approval of accounting regulations
in line with the International Financial Reporting Standards

free translation

NPG TRANSELECTRICA SA
Consolidated Statement of Financial Position for the period concluded on December 31st, 2021
(All amounts are expressed in thousand LEI, unless otherwise provided)

	Note	31 december 2021	31 december 2020
Assets			
Non-current assets			
Tangible assets	5	3,881,441	3,636,262
Assets representing rights of use under a lease - buildings	6	32,690	37,773
Intangible assets	7	7,404	7,310
Financial assets		36,340	36,340
Total non-current assets		3,957,875	3,717,685
Current assets			
Inventories	8	48,681	47,640
Trade and other receivables	9	2,985,893	854,250
Profit tax recoverable	18	21,112	1,248
Other financial assets	11	-	-
Cash and cash equivalents	10	264,656	569,847
Total current assets		3,320,342	1,472,985
Total assets		7,278,217	5,190,670
Shareholder's equity and liabilities			
Shareholders' equity			
Share capital		733,031	733,031
Share premium		49,843	49,843
Legal reserve		137,927	137,833
Revaluation reserve		801,800	872,379
Other reserves		31,186	17,482
Retained earnings		1,631,074	1,614,444
Total shareholders' equities attributable to Group owners	12	3,384,861	3,425,012
Non-controlling interests	27	-	-
Total equity		3,384,861	3,425,012
Non-current liabilities			
Long term deferred revenues	13	443,437	352,029
Long term Borrowings	14	79,455	101,671
Other loans and assimilated debts - Non-current building lease liabilities	16	24,656	30,532
Deferred tax liabilities	18	120,927	126,852
Employee benefits obligations	15	75,272	87,200
Total non-current liabilities		743,747	698,284

NPG TRANSELECTRICA SA
Consolidated Statement of Financial Position for the period concluded on December 31st, 2021
(All amounts are expressed in thousand LEI, unless otherwise provided)

	Note	31 december 2021	31 december 2020
Current liabilities			
Trade and other liabilities	16	3,007,137	878,850
Other loans and assimilated debts - Current building lease liabilities	16	8,966	7,417
Other tax and social security liabilities	20	20,527	25,052
Current Borrowings	14	27,579	33,574
Provisions	17	53,662	93,011
Short term deferred revenues	13	31,738	29,393
Income tax payable	18	-	77
Total current liabilities		3,149,609	1,067,374
Total liabilities		3,893,356	1,765,658
Total shareholders' equity and liabilities		7,278,217	5,190,670

The attached consolidated financial statements were signed by the Company's management on 17 March 2022:

Directorat,

**Gabriel
ANDRONACHE**

Directorate
Chairman

**Ștefăniță
MUNTEANU**

Directorate
Member

**Cătălin-Constantin
NADOLU**

Directorate
Member

**Marius-Viorel
STANCIU**

Directorate
Member

**Florin-Cristian
TĂTARU**

Directorate
Member

Ana-Iuliana DINU
Director Economic & Financial
Administrative Unit

Cristiana Zîrnovan
Manager, Budgeting & Management Reporting
Department

NPG TRANSELECTRICA SA
Consolidated Statement of Profit and Loss for the period concluded on December 31st, 2021
(All amounts are expressed in thousand LEI, unless otherwise provided)

	Note	31 december 2021	31 december 2020
Operating revenues			
Transmission revenues		1,252,286	1,035,250
System service revenues		623,720	795,026
Balancing market revenues		1,822,564	494,999
Other revenues		85,432	67,626
Total operating revenues	21	3,784,002	2,392,901
Operating expenses			
System Operating Expenses	22	(576,409)	(309,846)
Balancing market expenses	22	(1,809,588)	(494,999)
Technological system services expenses	22	(609,608)	(566,016)
Depreciation and amortization		(283,791)	(274,917)
Personnel expenses	23	(317,510)	(338,889)
Repairs and maintenance expenses		(60,288)	(75,971)
Materials and consumables		(31,316)	(26,700)
Other operational expenses	24	(84,003)	(129,253)
Total operating expenses		(3,772,513)	(2,216,591)
Operating result		11,489	176,310
Financial revenues		6,669	10,083
Financial expenses		(15,898)	(15,354)
Net finance result	25	(9,229)	(5,271)
Profit before income tax		2,260	171,039
Income tax		(956)	(29,138)
Result for the year from continuing operations		1,304	141,901
Profit of the period			
Attributable to:			
Owners of the Group		1,304	142,668
Non-controlling interests		-	(767)
Basic and diluted earnings per share (lei/share)	19	0.02	1.94

NPG TRANSELECTRICA SA**Consolidated Statement of Profit and Loss for the period concluded on December 31st, 2021***(All amounts are expressed in thousand LEI, unless otherwise provided)*

	Note	31 december 2021	31 december 2020
Result of the financial year			
Other comprehensive income			
Elements which will not be reclassified in the profit and loss account, out of which:			
- Effect of taxation on revaluation reserve		-	-
- Surplus from the revaluation of tangible assets		-	(1,069)
- Actuarial losses on defined benefit plans		9,382	419
Other comprehensive income (AERG)		9,382	(650)
Total comprehensive income for the year		10,686	141,251

The attached consolidated financial statements were signed by the Company's management on 17 March 2022:

Directorat,

**Gabriel
ANDRONACHE**

Directorate
Chairman

**Ștefăniță
MUNTEANU**

Directorate
Member

**Cătălin-Constantin
NADOLU**

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TĂTARU**

Directorate
Member

Ana-Iuliana DINU

Director Economic & Financial
Administrative Unit

Cristiana Zîrnovan

Manager, Budgeting & Management Reporting
Department

NPG TRANSELECTRICA SA

Consolidated Statement of Changes in Shareholders' Equities for the period concluded on December 31st, 2021

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

	<i>Share capital</i>	<i>Share premium</i>	<i>Legal reserve</i>	<i>Revaluation reserve</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Attributable to the group</i>	<i>Non controlling interests</i>	<i>TOTAL</i>
Balance on January 1, 2021	733,031	49,843	137,833	872,379	17,482	1,614,444	3,425,012	0	3,425,012
Comprehensive result of the period									
Result of the period	-	-	-	-	-	1,304	1,304	-	1,304
Other comprehensive revenue items									
Recognising the actuarial loss/profit of the benefit plan	-	-	-	-	-	9,382	9,382	-	9,382
Surplus from revaluation of tangible assets	-	-	-	-	-	-	-	-	-
Liability regarding deferred tax associated to the revaluation reserve	-	-	-	-	-	-	-	-	-
Total other comprehensive revenue items	-	-	-	-	-	9,382	9,382	-	9,382
Total comprehensive result of the period	-	-	-	-	-	10,686	10,686	-	10,686
Legal reserve indexation	-	-	94	-	-	(94)	-	-	-
Transfer of revaluation reserves into retained result	-	-	-	(70,579)	-	70,579	-	-	-
Minority interests from participation	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	(599)	(789)	(1,388)	-	(1,388)
Total other items	-	-	94	(70,579)	(599)	69,696	(1,388)	-	(1,388)
Derecognition of assets like public domain by registering HGs 615, 682 and 683 of 2019 changing the inventory of assets from the public domain	-	-	-	-	-	-	-	-	-
Subsidies associated to public domain assets	-	-	-	-	14,303	-	14,303	-	14,303
Other reserves	-	-	-	-	-	22	22	-	22
Dividends distribution	-	-	-	-	-	(63,774)	(63,774)	-	(63,774)
Total transactions with owners	-	-	-	-	14,303	(63,752)	(49,449)	-	(49,449)
Balance on December 31, 2021	733,031	49,843	137,927	801,800	31,186	1,631,074	3,384,861	-	3,384,861

The attached consolidated financial statements were signed by the Company's management on 17 March 2022:

Directorat,

**Gabriel
ANDRONACHE**

Directorate Chairman

Ana-Iuliana DINU
Director Economic & Financial
Administrative Unit

**Ștefăniță
MUNTEANU**

Directorate Member

**Cătălin-Constantin
NADOLU**

Directorate Member

**Marius-Viorel
STANCIU**

Directorate Member

**Florin-Cristian
TĂTARU**

Directorate Member

Cristiana Zîrnovan
Manager, Budgeting & Management Reporting
Department

NPG TRANSELECTRICA SA
Consolidated Statement of Changes in Shareholders' Equities for the period concluded on December 31st, 2021
(All amounts are expressed in thousand LEI, unless otherwise provided)

	Share capital	Share premium	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Attributable to the group	Non controlling interests	TOTAL
Balance on January 1, 2020	733,031	49,843	129,096	955,201	15,813	1,414,339	3,297,323	19,748	3,317,071
Comprehensive result of the period									
Result of the period	-	-	-	-	-	142,668	142,668	(767)	141,901
Other comprehensive revenue items	-	-	-	-	-				
Recognising the actuarial loss/profit of the benefit plan	-	-	-	-	-	419	419	-	419
Surplus from revaluation of tangible assets	-	-	-	(1,069)	-	-	(1,069)	-	(1,069)
Liability regarding deferred tax associated to the revaluation reserve	-	-	-	534	-	(534)	-	-	-
Total other comprehensive revenue items	-	-	-	(535)	-	(115)	(650)	-	(650)
Total comprehensive result of the period	-	-	-	(535)	-	142,553	142,018	(767)	141,251
Legal reserve indexation	-	-	8,737	-	-	(8,737)	-	-	-
Transfer of revaluation reserves into retained result	-	-	-	(82,288)	-	82,288	-	-	-
Minority interests from participation	-	-	-	-	-	18,981	18,981	(18,981)	-
Other items						207	207	-	207
Total other items	-	-	8,737	(82,288)	-	92,739	19,188	(18,981)	207
Derecognition of assets like public domain by registering HGs 615, 682 and 683 of 2019 changing the inventory of assets from the public domain	-	-	-	-	-	-	-	-	-
Subsidies associated to public domain assets	-	-	-	-	1,670	-	1,670	-	1,670
Other reserves	-	-	-	-	-	-	-	-	-
Dividends distribution	-	-	-	-	-	(35,186)	(35,186)	-	(35,186)
Total transactions with owners	-	-	-	-	1,670	(35,186)	(33,516)	-	(33,516)
Balance on December 31, 2020	733,031	49,843	137,833	872,379	17,482	1,614,444	3,425,012	-	3,425,012

The attached consolidated financial statements were signed by the Company's management on 17 March 2022:

Gabriel ANDRONACHE	Ștefăniță MUNTEANU	Directorat, Cătălin-Constantin NADOLU	Marius-Viorel STANCIU	Florin-Cristian TĂTARU
Directorate Chairman	Directorate Member	Directorate Member	Directorate Member	Directorate Member
Ana-Iuliana DINU Director Economic & Financial Administrative Unit			Cristiana Zîrnovan Manager, Budgeting & Management Reporting Department	

NPG TRANSELECTRICA SA
Consolidated Statement of Cash Flows for the period concluded on December 31st, 2021
(All amounts are expressed in thousand LEI, unless otherwise provided)

	31 december 2021	31 december 2020
Cash flows from operational activities		
Profit of the period	1,304	141,901
Adjustments for:		
Income tax expense	956	29,138
Amortisement expense	283,791	274,992
Expenses with adjustments for trade receivables impairment	16,673	1,369
Revenues from reversal of adjustments for trade receivables impairment	(4,609)	(2,327)
Losses from various debtors	347	-
Net revenues with adjustments for various debtors impairment	10,141	4,364
Net expenditures with adjustments for inventories impairment	1,780	4,388
Net profit/ loss on sale of tangible assets	529	407
Net expenditures on adjustments of value regarding tangible assets	(13,558)	8,953
Expenses/Revenues regarding provisions for risks and expenses, net	(44,942)	28,729
Financial expenses regarding the adjustments for impairment of fixed assets	-	-
Interest expense, interest revenue and unrealised exchange rate gains	7,677	5,811
Cash flows before changes to working capital	260,089	497,725
Changes in:		
Inventories	186	(512)
Clients and assimilated accounts	(2,176,952)	(151,398)
Trade payables and other liabilities	2,134,476	295,234
Other loans and assimilated debts - Building lease	-	31,242
Other taxes and social insurance liabilities	(4,525)	8,259
Deferred revenues	14,904	(15,276)
Cash flows from operational activities	228,178	665,274
Paid interests	(4,978)	(7,368)
Paid income tax	(23,881)	(47,632)
Net cash generated from operational activities	199,319	610,274
Cash flows from the investment activity		
Acquisition of tangible and intangible assets	(495,323)	(377,100)
Participation titles held in SELENE CC Societe Anonyme	-	(242)
Proceeds from EC non-reimbursable financing	93,151	-
Received Interests	2,684	7,153
Participation titles held in TSC NET	-	-
Proceeds from sale of tangible assets	-	-
Dividends received	23	2
Other financial assets	-	85,000
Net cash used in the investment activity	(399,465)	(285,187)

NPG TRANSELECTRICA SA**Consolidated Statement of Cash Flows for the period concluded on December 31st, 2021***(All amounts are expressed in thousand LEI, unless otherwise provided)*

	31 december 2021	31 december 2020
Cash flows used in financing activities		
Repayments of non-current borrowings	(23,726)	(24,858)
Repayments of current borrowings	(6,157)	(24,008)
Building lease payments	(11,490)	(10,394)
Dividends paid	(63,672)	(35,610)
Net cash used in financing activities	(105,045)	(94,870)
 Cash and cash equivalents as at January 1 st	 569,847	 339,630
Net increase/decrease in cash and cash equivalents	(305,191)	230,217
 Cash and cash equivalents at the end of the period	 264,656	 569,847

The attached consolidated financial statements were signed by the Company's management on 17 March 2022:

Directorat,

**Gabriel
ANDRONACHE**

Directorate
Chairman

**Ștefăniță
MUNTEANU**

Directorate
Member

**Cătălin-Constantin
NADOLU**

Directorate
Member

**Marius-Viorel
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Directorate
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**Florin-Cristian
TĂTARU**

Directorate
Member

Ana-Iuliana DINU

Director Economic & Financial
Administrative Unit

Cristiana Zîrnovan

Manager, Budgeting & Management Reporting
Department

1. DESCRIPTION OF ACTIVITIES AND GENERAL INFORMATION

The main activity of CNTEE Transelectrica SA ("Company") and of its subsidiaries (called with the Company, "Group") consists in: provision of electricity transmission services and of system services, balancing market operator, 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, with later amendments and additions 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.

Headquarters address: Blvd. General Gheorghe Magheru 33, Bucharest, sector 1. For the time being the Company's executive branch perform in the working location situated in Str. Olteni 2-4, Bucharest, sector 3, Romania.

The Group's consolidated financial statements of 31 December 2020 elaborated in accordance with the International Financial Reporting Standards adopted by the European Union are available at the Company's working location in Str. Olteni 2-4, Bucharest 3, Romania.

Beginning in 2006 Company shares are 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 unitary 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 are: the Romanian State represented by the Secretariat General of the Government, holding 43,020,309 shares (58.69%), NN Group NV having 4,007,688 shares (5.47%), PAVAL HOLDING with 4,753,567 shares (6.49%), other legal person shareholders holding 16,172,331 shares (22.05%) and other natural person shareholders having 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 58.68% 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.

These Consolidated Financial Statements elaborated as of and for the financial year ended on 31 December 2021 include the financial statements of the parent Company and of its subsidiaries Smart SA and Teletrans SA, jointly called the "Group".

GROUP STRUCTURE

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

Entity	Country of origin	31 December 2021	31 December 2020
		% of shares	% of shares
SMART SA	Romania	100	100
TELETRANS SA	Romania	100	100

SMART SA

SMART SA seated in Blvd Magheru 33, Bucharest 1 and central headquarters in Blvd. Gheorghe Sincai, Formenerg Building, 1st floor, Bucharest 4 has the reviews and repairs of energised instrumentation and equipment, transformers and auto-transformers as main business. It was established under HG 710/19.07.2001 on 1 November 2001.

The Shareholders' General Extraordinary Assembly of Smart SA approved by Decision 14/10.12.2014 to increase the share capital of Smart SA by contribution in kind with the value of lands which ownership certificates were obtained for and the Romanian State shareholder was introduced. Later it was cancelled after pronouncement of Appeal Court Bucharest of civil sentence 835/2019 under file 7763/2/2018.

Civil sentence 598/11.06.2020 pronounced under file 37718/3/2019 by Bucharest Tribunal decided erasing mention 449314/23.12.2014 which registered with ONRC Decision 12375/22.12.2014 of the Board of Administration's Chairman on increasing the share capital and amending the Articles of association.

On 20.11.2020 Subsidiary SMART SA registered with the Trade Register Office from Bucharest Tribunal the amendments included in civil sentence 598/11.06.2020, as well as the amendments of the Articles of Association approved by AGA on 25.09.2019 in compliance with civil sentence 835/2019, pronounced by the Appeal Court Bucharest.

Consequently on the date of these financial statements the share capital of SMART SA has been subscribed and fully paid by CNTEE Transelectrica SA in its capacity of single shareholder.

Subsidiary SMART SA has as main business revisions and repairs to energised instrumentation and equipment, transformers and autotransformers, remedy of incidents in electric installations, and micro-production of electric equipment. The Company has 8 subsidiaries with no legal personality, situated in the same locations as Transelectrica's territorial units.

The mission which SMART SA was established for has been and still is to provide preventive maintenance, special work and corrective maintenance to the Electricity Transmission Grid (RET) starting from the primordial objective of Transelectrica: to provide electricity transmission in the national transmission network under safe steady state conditions.

The main general strategic objectives are at least the following:

- ✓ Providing high availability of RET assets
- ✓ Increasing operational resilience
- ✓ Diminishing intervention times
- ✓ Coordinating maintenance services / work with the outage schedule of the National Power Dispatcher (DEN)

On 31 December 2021 the share capital was of 38,529 thousand Lei, of which 38,529 subscribed and fully paid by the Company as single shareholder.

TELETRANS SA

Teletrans SA was established under AGA Decision 13/04.12.2002 of Transelectrica, according to Law 31/1990 and to Orders 3098 and 3101 of 23.10.2002 from the Ministry of Industry and Commerce. TELETRANS shares are 100% held by Transelectrica.

In accordance with its by-laws and applicable norms Teletrans holds the ANCOM certificate of networks supplier or of electronic communication services as of 2002 (OUG 679/2002), whereby it benefits of the right to provide the following electronic communication services:

- Public networks of electronic communications (beginning with 11.11.2004);
- Electronic communication services dedicated to the public: (i) Leased line services and (ii) Services of electronic communications, others than phone and leased lines (beginning with 01.07.2003);
- Private networks and electronic communications services (beginning with 15.01.2003).
- Also the personnel of TELETRANS benefit of certifications relevant for the operation and administration of IT&C systems dedicated to critical infrastructures;

On 31.12.2021 the share capital was of 6,874 thousand Lei (687,443 shares, 10 Lei nominal value), Transelectrica being single shareholder. Teletrans' results are consolidated with the Company's.

Group mission

The mission of this Group is to provide secure operation of the National Power System (SEN) while complying with the norms and performance provided in applicable technical regulations and to provide public services to all users of electricity transmission networks, under transparent non-discriminating equidistant conditions for all market participants.

Other information about Group activities

The participation of European Transmission System Operators (TSO) to ENTSO-E is regulated by the applicable European legislation (Regulation 943/2019 regarding the internal electricity market (reforming Regulation 714/2009 regarding network access terms for cross-border electricity exchanges)): *"All transmission system operators cooperate community-wide by means of ENTSO-E for electricity, with a view to promote the completion and operation of the internal electricity market and inter-area trade, as well as in order to provide optimum management, coordinated operation and sound technical development of the European electricity transmission network".*

The Company's capacity of ENTSO-E member is a prerequisite for its access to decision-making with respect to European strategy and legislation in this domain and to defend and sustain Company interests in the activities /projects performed in the association and in the European Commission.

ENTSO-E was established in 2009 as non-profit association seated in Brussels by uniting the associations of European TSOs organised according to synchronously interconnected regions (UCTE, ETSO, BALTSO, NORDEL, UKTSOA, and ATSOI). Transelectrica has been UCTE and ETSO member since October 2004, the Romanian electric power system being included in the Continental Europe Regional Group.

Transelectrica SA is affiliated member in the following international organisations:

- ENTSO – E - European Network of de Transmission System Operators for Electricity;
- CIGRE - International Council of great high voltage electricity networks;
- LWA - International Live Work Association;

CNTEE Transelectrica SA is responsible for the safe reliable efficient operation of SEN, thus fulfilling 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 Ba1 positive. Later on 27 October 2021 in consequence of sovereign rating improving, the rating agency issued a new credit opinion for Transelectrica, granting it Baa3 stable.

Such rating is justified by:

- (1) Low business risk profile, given the strategic importance and natural monopoly of Transelectrica, as owner and fully regulated operator of the electricity transmsission network;
- (2) Sound financial profile with low indebtedness;
- (3) Steady improvement of the regulatory framework;

Under such evaluation the Company's rating is situated equal to the sovereign on (Baa3 stable), thus recognising the Company's improved financial performance and sound operational results, which provide premises for future financing under optimum costs in order to make the investments assumed in the fourth regulatory period under the best condition.

Getting Baa3 rating with stable outlook consolidates a favourable position regarding the Company's capacity to comply with its current and future financial covenants, showing that Transelectrica has got sound financial profile with low indebtedness and sound stable predictable financial values.

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 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 tariff for electricity transmission and system services. Consequently, the decisions taken by ANRE can have significant influence over the Company's 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 the Company's activities and revenues are regulated by ANRE, the most important risks related to such issue are the following:

- The regulatory framework is quite recent and subject to permanent change, which might impact the Company's performance;
- ANRE decisions about future tariffs can influence Company activities;

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 according to Law 123/2012 of electricity and natural gas, 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 of the national legislation regarding the certification of the transmission 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.

Electricity transmission and system service tariffs

Electricity transmission is an activity of general interest in the electricity domain, licensed and monitored by a public authority (public service), of natural monopoly nature. Tariffs charged by the Company for its transmission and system services are established and approved by ANRE (see Note 20).

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. Compared to the previous methodologic forms based on which the tariffs were established in the previous regulatory period (1 July 2014 - 30 June 2019) and in the transition period from the previous regulatory period to the current regulatory period (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, how to collect regulated income), they remained unchanged ensuring the continuity and predictability of the regulatory framework. Detailed tariff settings for the entire current multi-annual regulatory period were initially set in 2019.

During 2020, 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 the functional services (system services) tariff. The merging of the two mentioned tariffs took place through the absorption in the transmission tariff of the tariff for functional services (system services). 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 based on investments actually made in semester 2, 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).

Regulated asset base ("BAR / 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 used 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, had the following values:

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

In comparison with 6.39%, mention should be made ANRE regulations established an incentive for new investments made into the electricity transmission grid, provided as supplement to the regulated rate of return in quantum of one percentage point. Thus, new investments made in the electricity transmission grid in 2021 are remunerated with regulated profitability 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 - semester 2, 2019 - was 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 approx. 1,587 mill Lei. With regard to it, it was predicted that a part in the amount of approx. 644 mill Lei, 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, in the programming of 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 volume that is estimated not to be financed from the non-reimbursable sources mentioned above.

Transelectrica was included in the local and international indexes

Beginning with 29.08.2006 the shares issued by Transelectrica are transacted on the regulated market managed by the BVB, in category I under TEL symbol. Transelectrica shares are included in the BET index, which shows the development of the 19 most transacted Companies on the regulated market managed by BVB, excluding the financial investment companies (SIFs).

Transelectrica has been also included in the local indexes BET-XT, BET-NG, BET-XT-TR, BET-TR,

BET-BK, BET-TRN, BET-XT-TRN, and BET BETPlus.

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

Group revenues

The main activities generating revenues for the Group are represented by the provision of the following services:

- Electricity transmission services;
- System services (technical operational management 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.

System services

The Company has the task to maintain the national power system in permanent operation under safe conditions while observing the quality standards provided in the technical code of the electricity transmission grid. To this effect the Group uses its own sources called functional system services and procures technological system services from electricity producers.

The Company 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. The Company re-invoices the entire value of system services procured from generators (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 the Company, consisting in the operational planning and management of SEN, as well as the other activities performed by the Company with a view to balance in real time the output with consumption in order to safely cover electricity consumption with 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, the balancing market was introduced and began operating in Romania in 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 balancing market operation and settlement, approved by ANRE Order 31/31.01.2018, published in Romania's Official Gazette 166 bis/ 22.02.2018.

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

- Regulation on the balancing market operation and settlement, 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 issued by the president of the National Regulatory Authority in Energy approved by Order 213 of 25 November 2020 of ANRE president, published in Romania's Official Gazette 1201 of 9 December 2020, with later amendments and additions;

The purpose of this market is to provide electricity generation-consumption balance in real time, using resources offered under competitive regime.

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

High efficiency cogeneration

Beginning with 1 April 2011 the Company has been the administrator of the support scheme to promote high efficiency cogeneration. The objective of such support scheme is to promote electricity generation 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 centres with a view to stimulate new investments into cogeneration systems and to refurbish existing power plants. The actual application of the support scheme in Romania occurred on 1 April 2011, when the National Regulatory Authority in the Energy domain (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 such quantities of processed energy - electricity and heat - compared to distinct generation).

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) and implemented by HG 1215/2009 establishing the criteria and conditions necessary to implement the support scheme to promote high efficiency cogeneration in accordance with the demand of useful heat, for electricity producers 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 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 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 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; bonus payment to generators benefitting of the scheme; paying delay penalties to producers for the failure to pay the bonus within due dates.

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 was issued amending and adding 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 producers 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, in accordance with the ANRE-issued methodology;
- ANRE decisions with respect to the quantum of the overcompensation and/or undue bonus are compulsory for producers and are applied in view of recovery by the support scheme administrator's issuing a decision in accordance with 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 consolidated financial statements ANRE has not elaborated the regulatory framework to have the financial closure of the scheme in accordance with item 11 of HG 925/2016 amending and adding 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. In December 2021 ANRE submitted to public consultation a draft methodology for the financial closure of the scheme.

HG 129/2017 adding article 8 of Governmental Decision 1215/2009 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 for electricity markets

On 19 November 2014 the 4M Market Coupling project, which meant „4 Market Market Coupling (4MMC)”

providing union of the electricity DAM (Day-Ahead Markets) of 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 2nd wave was launched under the single European intraday markets coupling (SIDC – Single Intraday Coupling), with first deliveries on 20 November. Seven countries: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Slovenia joined the fourteen 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.

The electricity exchanges correlate the electricity transactions of the next day using auctions of day-ahead markets by means of the price-coupling mechanism, depending on the interconnection capacity provided by the TSO whereby it is implicitly allocated.

The Company, 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 role of implicit participant on the DAM & PI and has the capacity of transfer agent;
- Provides the interconnection capacity for physical delivery of electricity transacted on the DAM and PI, namely electricity transfer from one bidding zone to another by means of interconnection lines, as their available transfer capacity is limited;

Revenues registered from congestions are monthly shared between transmission and system operators and the exchange rate differences are retained or are provided by the TSO, as applicable.

Company-wide a decision was taken 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 bank fee expenses resulting from the settlement of transactions made by the Company as transfer agent.

2. BASES OF ELABORATION

Statement of conformity

These consolidated 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 established in the European Commission Regulation 1.606/2002 of the European Parliament and Council of 19 July 2002 regarding the application of international accounting standards ("IFRS UE").

The Group is applying the International Financial Reporting Standards adopted by the European Union when elaborating the consolidated financial statements of 2020 in accordance with OMF 881/2012, with later amendments and additions.

The account keeping of subsidiaries (Smart and Teletrans) is kept in Lei, in accordance with OMFP 1802. These accounts were retreated in order to show the differences existing between RCR accounts and those compliant with IFRS. The accounts have been adjusted accordingly, whenever needed with a view to harmonise such financial statements in all significant aspects with the IFRS adopted by the European Union.

Bases of assessment

These financial statements are elaborated using historical costs, except for tangible assets, other than tangible assets underway which are assessed at revaluated amount, while liabilities associated to payment agreements based on shares with cash settlement are assessed at their fair value.

Functional and submission currency

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

Utilisation of estimations and reasonings

Preparing the financial statements in accordance with EU IFRS means the management are using professional reasoning, estimations and assumptions that impact the application of accounting policies as well as the recognised values of assets, liabilities, revenues and expenses, assumptions regarding the fair value, the commitments and contingencies, the recognition of receivable non-reimbursable funds, regarding provisions for value losses of receivables, regarding obligations associated to transactions based on share payment settled in cash and regarding the obligations associated to the defined benefit plans.

Actual results can be different from estimated values. Estimations and assumptions are periodically reviewed. The revisions of accounting estimations are recognised in the period when such estimations are reviewed, as well as in the future impacted intervals.

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

- Note 13 - Group's management estimation about a reasonable assurance existent for compliance with the terms attached to non-reimbursable funds and for funds reception;
- Note 15 - Assessing the liabilities regarding the defined benefit plans;
- Note 27 - Recognition and assessment of provisions, commitments and contingencies; key assumptions regarding the likelihood and extent of any resource output;
- Note 31 - Assessing the obligations regarding transactions with payment in shares to be settled by cash;

Information about the reasoning in the accounting policy with respect to service concession agreements is provided in the paragraphs below.

The Group (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 installed on in exchange for the provision of electricity transmission services (see Note 3 (b)). Taking into account that most Company shares are held by the State, the Company management deems this is a public company and therefore is not compliant with the provisions of IFRIC 12 "Service concession agreements". Taking into account there is no other international financial reporting standard specific for service concession agreements the Company considered whether it should nevertheless apply IFRIC 12 based on the hierarchy mentioned in SIC 8 "Accounting policies, changes and errors of accounting estimations", which provides to first take into

account the provisions of other IFRS addressing similar issues.

Thus, when considering whether to apply IFRIC 12 the Group examined whether the following characteristics of public-private type service concession agreements are applicable to its concession contract concluded with the ME on the date when IFRIC 12 should be passed:

- The conceder controls or regulates the kind of services the concessionaire has to provide in the infrastructure, whom it has to provide them to and at what price;
- The conceder controls - the benefit entitlement by the property right, or in another mode - any significant residual interest in the infrastructure at the end of the agreement term: 49 years;
- The contractual provisions may include the same provisions should the agreement be concluded with a private company;

Taking into consideration such characteristic features of public-private type service concession agreements one can find out as follows:

- The Group-provided services are regulated by ANRE, therefore the Conceder – competent Ministry – does not control or regulate the type of services the Group has to provide;
- At the end of the contractual period the residual interest in infrastructure is about zero, most assets belonging in the state public domain being amortised;
- For the time being there are no similar contracts, the Group holding monopoly position for electricity transmission;

The Company concluded its accounting of the concession contract as per the provisions of IFRIC 12 will not mirror the economic substance of the transaction because the Company pays annual fee as royalty for the utilisation of assets mentioned in the concession contract amounting to 1/1000 of the annual revenue achieved from electricity transmission activities, calculated depending on the actual transmitted quantity (until 11 November 2020), namely 4/1000 of the value of the gross revenues generated from electricity transmission and transit operations, through the national transmission systems, in the state's public property (starting with 12 November 2020), a fee which is significantly lower than the amortisement the Company would have registered for such assets had the concession contract not been signed.

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

3. ACCOUNTING POLICIES

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

(a) Bases of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group has control over an entity when it is exposed to, or is entitled to variable gains resulting from its involvement into the entity and has the capacity to influence such gains by its power over the entity. Financial statements of subsidiaries are included in the consolidated financial statements from the time when control begins until it ends.

On the elaboration date of these consolidated financial statements Transelectrica comprises six subsidiaries, Romanian legal persons organised as joint-stock companies, of which it is the sole shareholder: Formenerg, Teletrans, Smart, Icemenerg Service, Icemenerg SA (Energy Research and Modernising Institute ICEMENERG SA is a subsidiary which, for the time being, has been cancelled with ONRC).

From among Company subsidiaries only companies Smart and Teletrans are included in the Group's financial consolidation. Formenerg and Icemenerg-Service have not been taken into account for consolidation because, in accordance with applicable accounting legislation, the impact of their activities is considered insignificant for consolidation, while Transelectrica does not exercise direct actual control over the decision-making mechanisms of OPCOM, administered in accordance with regulations established by ANRE.

Subsidiary FORMENERG is Company with the main business of the initial and permanent professional training in all domains of the personnel with attributions in the power domain from all sectors of national

economy and of other beneficiaries, which clients include Transelectrica, ENGIE Romania, Romgaz, Transgaz Medias, Nuclearelectrica and Hidroelectrica.

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

On 27.04.2021 by letter 18759 the Special Administrator of Subsidiary ICEMENERG Service SA informed that on 23.04.2021 following auction the assets of Subsidiary ICEMENERG Service SA, both its movable and imovable assets were entirely capitalised, buyer being Portland Trust Developements Five SRL.

Subsidiary OPCOM SA was established according to HG 627/2000 on the reorganisation of the National Electricity Company SA, as subsidiary having Transelectrica as sole shareholder.

In accordance with the provisions of applicable primary and secondary legislation Company Electricity and Natural Gas Market Operator OPCOM SA performs as administrator of the electricity market, providing an organised viable efficient framework for commercial transactions on the wholesale electricity market and it also provides administration of centralised natural gas markets under consequent correct objective independent equidistant transparent non-discriminating conditions.

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

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

Loss of control

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

(ii) Transactions eliminated from consolidation

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

(b) Tangible assets

One's assets

Tangible assets, except for the tangible assets in progress of execution are provided at their revaluated value, less the accumulated amortisement and the accrued losses by impairment. Tangible assets in progress of execution are provided at cost value. The cost of assets built under one's own management includes materials, direct salaries, initial estimation, if any, disassembling, items removal costs and location recovery, and a quota of indirect expenses.

Recognition

Tangible assets are initially valuated at cost.

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

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

Impairment allowances are registered for unused or used tangible assets.

Value allowances for unused or used tangible assets are registered in the consolidated financial statements, whenever such items are identified.

Later expenses

The Group recognises the replacement cost of one part of an asset element in the accounting value of tangible asset items if at the time when such cost occurs it is probable the Company will generate future economic benefits associated to the element, and its cost can be assessed in credible manner. All the other costs are recognised in the profit or loss account when they occur.

Amortisement

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

	Normal operational period (years)
Special buildings and installations	40 – 60
Outfits and equipment	15 – 40
Instrumentation and control	7 – 12
Vehicles	5 – 8
Other tangible assets	3 – 5

Lands are not amortised. Whenever the elements of some tangible asset have different lifecycles they are registered as separate items (major components) of an asset. Asset amortisement methods, useful lifecycles and residual values are reviewed on each reporting date and adjusted, if need be.

Revaluation

The Group has selected description of tangible assets at their revalued value, except for down payments and tangible assets in progress of execution, which are provided at historical cost.

Revaluations are performed by independent valuator experts, at sufficiently regular time so that accounting values should not differ significantly from the value which can be determined using the fair value on reporting date.

(c) Public patrimony

In accordance with the provisions of 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 established in annex 8 the inventory of real estates that form the state public domain taken under Group administration beginning with 1 August 2000; they are inventoried and updated by legislative deed (HG) whenever necessary.

Before signing the concession contract, which is detailed in the following paragraph, the public domain has been treated as contribution in kind of the Romanian State by its representative, the Ministry of Economy since the Group should not pay any fee for asset utilisation;

Law 213/1998 was issued in November 1998 and regulated the public domain. This law specifies the property right over public inventories belongs to the state or to local authorities that can rent or assign the goods under public property. In accordance with the provisions of Law 213/1998 and Law 219/1998 the Ministry of Economy has conceded on the state's behalf the transmission network to the Group (high voltage electric lines and substations) and the lands it is located on. Thus on 29 June 2004 concession contract 1 was concluded between the Ministry of Economy and the Group for all tangible assets of the public domain on balance on 31 December 2003 for 49 years.

Following concession contract signature with the Ministry of Economy on behalf of the Romanian State on

29 June 2004 the relationship between it and the Company changed and consequently the Company resorted to derecognising the public domain assets, including the public domain reserve from its own shareholders' equities. After concluding the concession contract the Company has treated the assets which it holds utilisation right over as operational leasing. The Company recognises payments under the concession contract (royalty) during the year in the profit or loss account.

Concession contract 1/2004 was published in Romania's Official Gazette 298 bis of 30 April 2015.

All through 2005-2013 seven addendums have been concluded to the concession contract. Consequently the public domain assets obtained from the development fee after 29 June 2004 have been derecognised.

Taking into account the provisions of Governmental Decision 1009/2012 and of Governmental Decision 984/2012 approving the amendment of Annex 7 to Governmental Decision 1705/2006 approving the centralised inventory of assets in the public state domain assigned to the Company, after the 2012 inventory of goods in the state public domain and the revaluation of such goods, on 14.02.2013 addendum 7 was signed with the Ministry of Economy to the Concession Contract 1/29.06.2004.

Governmental Decision 1032 of 11 December 2013 published in Romania's Official Gazette 22 of 13 January 2014 approved the amendment and addition to annex 7 of Governmental Decision 1705/2006 approving the centralised inventory of assets in the public state domain, after the inventory of state public domain assets 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 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 this concession contract are:

- The Ministry of Economy has got the ownership title over the assets under the contract;
- The Group is entitled to use such assets for 49 years, from 1 June 2004 to 31 May 2053;
- The annual fee the Group pays as royalty for the use of such assets is established by the Ministry of Economy and it represents 1/1000 of the revenues achieved from electricity transmission services for the quantity actually transmitted;
- Assets will return to ME's possession upon contract termination or expiry; the contract can be one-sidedly terminated by any party;
- The Group is obliged to use the assets in accordance with the provisions of the concession contract and with the operational licence;

Beginning with 12 November 2020 Electricity law 123/2012 was amended and added, which in article 19, para (1[^]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 Group would have recorded if such contract did not exist. Nevertheless, the Group 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 the Company perform from one's own financing sources to the assets under the concessio contract are capitalised and amortised during the remaining asset lifecycle. When the investment amortisement has been recovered they will be included in the inventory of goods in the state public domain.

In case of goods representing completed assets, obtained from one's own financing sources, they will be included in the inventory of goods in the state public domain when the investment amortisement has been recovered, or upon expiry of the normal utilisation time, or of the concession or leasing contract, according to the applicable legislative provisions, based on normative passed to this effect.

(d) Intangible assets

The intangible assets the Group has procured are provided at cost less cumulated amortisement and

cumulated losses from the depreciation of intangible assets. Amortisement is recognised in the profit or loss account based on the linear method during the estimated life of intangible assets. Most intangible assets registered by the Group are represented by intangible assets under execution and dedicated IT applications. They are amortised during 3 years using the linear method.

Asset amortisement methods of assets and their useful lifecycles are reviewed on each reporting date and adjusted if necessary.

Later expenses

Later expenses are capitalised only if it is likely the Group can generate future economic benefits associated to such later expenses.

(e) Transactions in hard currency

Hard currency transactions are expressed in LEI by applying the exchange rate of the transaction date. Monetary assets and liabilities expressed in hard currency are provided in LEI at year end using the exchange rate of that date. Realised or unrealised gains and losses from exchange rate differences are registered in the profit or loss account of the respective financial year. The exchange rates on 31 December 2021 and 31 December 2020 are the following:

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 of the transaction day.

(f) Receivables

Trade receivables are initially registered at fair value and later on assessed using the actual interest method, less value losses. The value loss is recognised when there is clear evidence the Group will not be able to collect receivables on the established term. The debtor's significant financial difficulties, the likelihood of his entering bankruptcy or going under financial reorganisation, payment delays (beyond 180 days) are considered clues such receivables can require value allowances.

A value loss associated to an asset is the difference between its accounting value and the current value of future forecasted updated cash flows using the asset's actual initial interest rate. The accounting value is reduced by using a value loss account, while the loss is registered in the profit or loss account under "Other operational expenses".

(g) Inventories

They comprise the following:

- Raw materials, materials, spare parts that do not correspond to the tangible asset definition and other consumables to be used for the basic Group activities;
- Security and intervention inventories dedicated to quick remedial of defects occurring in RET installations with a view to provide safe SEN operation; such materials are registered as inventories when procured and pass to expenses upon consumption or they are capitalised, as applicable;

Inventories are assessed at the least value between cost net obtainable value. The cost of consumed inventories is determined using the FIFO method, and it includes procurement expenses. The net obtainable value is the sale price estimated during normal activities minus costs estimated for completion, if need be, and expenses occasioned by sale.

Política Grupului este de a înregistra o pierdere de valoare de 100% pentru stocurile mai vechi de 365 de zile și care nu vor mai fi folosite în viitor.

(h) Numerar și echivalente de numerar

The Group policy consist in registering 100% value loss for current inventories older than 365 days, which will no longer be used in the future.

(i) Revaluation reserves

After recognition as asset a tangible asset item whose fair value can be reliably assessed is accounted at revaluated value, which is its fair value on the revaluation date minus any amortisement accrued later and any losses accumulated from depreciation. Revaluations are performed at sufficiently regular

intervals in order to make sure the accounting value does not significantly differ from what could have been determined by using the fair value on the balance date.

In case the accounting value of a tangible asset is increased after revaluation, such increase is directly registered in shareholders' equities in revaluation reserves. Nevertheless the growth 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.

If the accounting value of a tangible asset is diminished after revaluation, such diminution is recognised in the profit or loss account. Nevertheless, diminution is done by reducing 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 result to the extent of the amortisement of the revaluated tangible asset and when the asset is derecognised.

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

The Group registered deferred tax for the liability regarding reserves from revaluation of non-current assets, including lands, made after 1 January 2004.

Reserves from the revaluation of tangible assets, lands included, performed until 31 December 2003, as well as the revaluation part performed after 1 January 2004 pertaining to the time interval by 30 April 2009 will not be taxed when they are transferred into retained result.

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

Reserves from the revaluation of tangible assets are taxable in the future in case the reserve destination changes in any form, in case of Group liquidation, merger, including its usage to cover accounting losses, except for transferring into retained result, after 1 May 2009, the reserves associated to revaluations made after 1 January 2004 into retained earnings, which are taxable at the same time with the fiscal deduction.

(j) Depreciation of non-financial assets

Accounting values of the Group's non-financial assets, others than inventories and receivables regarding deferred tax are reviewed on every reporting date in order to determine whether there is evidence about any depreciation. A loss from depreciation is recognised if the accounting value of an asset or of a cash generating unit exceeds the estimated recoverable value.

The recoverable value of an asset or of a cash generating unit is the maximum between the utilisation value and the fair value minus sale costs. Whenever the utilisation value is determined the forecasted future cash flows are updated in order to determine the present value, using an updating rate before tax which provides the current market valuations for the time value of money and the specific risks of an asset.

In order to test depreciation, assets that cannot be tested individually are grouped in the smallest asset cluster generating cash inputs by uninterrupted utilisation and are to a great extent independent of the cash inputs generated by other assets or groups of assets ("cash generating unit").

Depreciation losses are recognised in the profit or loss account. Depreciation losses recognised in relation to cash generating units are allocated as priority in order 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 from the cash generating unit (group of cash generating units).

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

(k) 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 reduction of shareholders' equities at

net value of fiscal effects.

(l) Dividends

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

(m) 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, work and services.

(n) Interest-bearing loans

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

(o) Recognition and derecognition of underived financial instruments

Non-derived financial assets

The Group recognises initially receivables on their initiation date. All the other financial assets are initially recognised on transaction date, when the Group becomes part of the instrument's contractual conditions.

The Group derecognises a financial asset upon expiry of contractual rights over the cash flows generated by such asset or when transferring the rights to collect contractual cash flows rights of the financial asset by a transaction whereby risks and benefits of the property right over the asset are transferred significantly. Any interest in the transferred financial asset created or kept by the Group is recognised separately as an asset or a liability.

Financial assets and liabilities are compensated and the financial position statement will submit the net value only when the Company has the legal right to compensate values and intends either settling them in net base or achieving the asset and simultaneously extinguishing the liability.

Underived Company financial assets are mainly represented by trade receivables and other receivables, and by cash and cash equivalents.

Non-derived financial liabilities

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

The Group derecognises a financial liability when contractual obligations are paid or cancelled or they expired.

The Group classifies non-derived financial liabilities into other financial liabilities. Such financial liabilities are initially recognised at fair value minus any transaction costs directly attributable. After initial recognition such financial liabilities are assessed at amortised cost using the actual interest method.

Other underived financial liabilities include borrowings, trade liabilities and other liabilities.

(p) Income tax

Income tax expense comprises the current tax and the deferred tax. The current and deferred taxes are recognised in the profit or loss account, except when they are associated to enterprise combinations or to items directly recognised in shareholders' equities or in other retained result elements.

(i) Current tax

It represents the tax estimated to be paid or received for the fiscal profit or loss achieved in the current year, using taxation quotas adopted or to a great extent adopted on the report date, as well as any allowance regarding payment obligations of the income tax associated to previous years. The owed current income tax also includes the tax on owed stated dividends.

(ii) Deferred tax

The deferred tax is recognised for temporary differences occurring between the accounting value of assets and liabilities used for financial reporting and the fiscal base used for tax calculation.

Deferred tax is not recognised for:

- Temporary differences occurring on the initial recognition of assets and liabilities from transactions which are not enterprise combinations and do not impact the accounting or fiscal profit or loss;
- Temporary differences coming from investments into subsidiaries or jointly-controlled entities to the extent in which it is likely they are not resumed in the foreseeable future; and
- Temporary differences resulting upon the initial recognition of the commercial fund;

Deferred tax assessment shows the fiscal consequence which might ensue from the manner in which the Group expects to recover or settle the accounting value of its assets and liabilities at the end of the reporting period.

Deferred tax is calculated using the taxation quotas forecasted to be applied to temporary differences when resumed, according to the adopted legislation or to a great extent adopted on the report date.

Receivables and liabilities with deferred tax are compensated only if 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 submitted to taxation or for different fiscal entities, but which intend settling receivables and liabilities with the current tax on net base or whose taxation assets and liabilities will be achieved simultaneously.

A receivable with deferred tax is recognised for unused fiscal losses, fiscal credits and deductible temporary differences, only to the extent in which it is probable to achieve future taxable revenues to be used for fiscal loss coverage. Receivables with deferred tax are reviewed upon each reporting date and diminished to the extent in which the achievement of the associated fiscal benefit is no longer probable.

(iii) Exposure to the income tax

The Group consider the tax position impact as uncertain and if additional taxes and interest rates can be owed- when determining the amount of the current and deferred tax. Such assessment relies on estimations and assumptions and can involve a number of professional reasoning about future events. New information can become available and determine the Group to change its professional reasoning with respect to the adequacy of existent fiscal obligations; such changes of fiscal obligations can impact the income tax expense during the period of such determination.

(q) Employees' benefits

Other long-term employee benefits

The Group's net obligation with respect to long-term benefits granted to employees, other than pension plans, is the value of future benefits which the employees have earned in exchange of services provided in the current and previous time intervals. Such benefit is updated to determine its fair value, and the fair value of any associated asset is deducted. These benefits are estimated using the method of the designed credit factor. Any actuarial gains or losses are recognised in other comprehensive result items in their occurrence period. Other long-term employee benefits are represented by jubilee bonuses.

Transactions with share payment to be settled in cash

The fair value of liability to employees with respect to rights of share appreciation which is settled in cash is recognised as expense in correspondence with a liability increase in the period when employees obtain unconditional right of payment. Until the liability settlement time the Company has to revalue the fair value of such liability on every reporting date and settlement date, any changes of the fair value being recognised in the profit and loss account of this period.

The Group recognises the services received and a payable liability for such services as the employees are providing the services. Certain rights regarding share appreciation go immediately to rights and therefore employees are not asked to complete a certain service period to be entitled to cash payment. In such circumstances the Group recognises the entire bonus value as expense on granting date.

Short-term employee benefits

Short-term benefit obligations are assessed on un-updated base and are recognised as expenses as the services are provided. A provision is recognised with the estimated value to be paid for short-term benefits as prizes or employees' participation to profit, only in case the Company has 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 salaries.

During normal performance of activities the Group makes payments to the pension fund on behalf of its employees. All Group employees are members in the pension plan of the Romanian State. Such

payments become expense as the employees provide services.

(r) Revenues

The revenue is recognised when significant risks and benefits have been transferred to the purchaser, it is likely to obtain economic benefits, and associated costs can be fairly estimated. Revenue consist mainly of transmission service, system service and balancing market revenues, calculated depending the electricity amount delivered to consumers. Transmission and system service tariffs are regulated by ANRE. Revenues also include the value of transactions performed on the balancing market, as shown in Note 1.

The Romanian State regulates by means of ANRE the tariffs the Group charges for electricity transmission and system operator services. The Romanian State performs several parts besides that of majority shareholder and consequently could have more comprehensive objectives and goals than an investor whose main interest is the investment return.

As mentioned in Note 1 the Company is also the administrator of the bonus type support scheme to promote high efficiency cogeneration. The Company acts as agent since it is involved in collecting and distributing money.

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

Thus, under the regional market price-coupling mechanism the Company:

- Performs as implicit DAM participant and is transfer agent;
- It provides the interconnection capacity for physical delivery of electricity transacted on the DAM, namely passing the electricity from one bidding area to another by means of interconnection lines, being limited by their available transfer capacity;

Connection fees

IFRIC 18 "Assets transfers from clients" are applied to the contracts with clients where the Company collects monetary availability from a client when such availability should be used only for construction or procurement of a tangible asset item and the Group should subsequently use such tangible asset to connect clients to the network.

The Electricity and natural gas law 123/2012, with later amendments and additions provides in article 25 para (1) the following: "access to electricity networks of public interest is compulsory service under regulated conditions, which the transmission system operator and the distribution operator should provide".

The connection fee is regulated tariff and it represents expense made by a network operator to perform connection work for a consumption and/or generation place of an electricity network user.

In case 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 an asset.

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

(s) Net financing costs

Net financing costs include interest rates corresponding to borrowings, calculated by the actual interest rate method, less the capitalised indebtedness costs as part of asset costs with long manufacturing times, dividend revenues, favourable and unfavourable exchange rate differences, fees and risk commissions.

In accordance with SIC 23 "Costs of indebtedness" and claiming the optional exception from the retroactive application according to IFRS 1 "First time application of IFRS", the Group capitalises loan costs relating to assets requiring long time intervals for commissioning or sale, which financing was obtained for after 1 January 2011, transition date to IFRS.

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

(t) Subsidies

Asset-associated subsidies are initially recognised as “deferred revenues” at fair value when there is reasonable assurance they will be received and the Group will comply with the conditions associated to subsidies, then subsidies are recognised in the profit and loss account as other operational revenues during the useful asset life it pertains to. Non-returnable funds are recognised as assets when there is reasonable assurance they will be received by removing associated conditions.

(u) Provisions

A provision is recognised if and only if the following conditions are met: the Group has current (legal or implicit) obligation after a past event; it is probable (namely, more likely than unlikely) a resource output representing economic benefits can be necessary to settle the obligation; when fair estimation can be made with respect to the amount of such obligation. Whenever the effect of the time value of money is significant the value of a provision is the present value of expenses foreseen as necessary to settle the obligation.

(v) Result per share

In accordance with SIC 33 “Result per share”, this result is calculated by dividing the profit or loss attributed to Group shareholders to the weighted average of ordinary shares in such period.

The weighted average of current shares during the year represent the number of shares from the beginning of the period, adjusted by the number of shares issued, multiplied with the number of months when the shares were floating during the year.

Dilution means reduction of the result per share or increased losses per share resulted under the assumption that convertible instruments have been converted, or as ordinary shares they are issued after fulfilment of specified conditions. The object of diluted result per share is similar to that of the basic result per share, namely to assess the interest of every ordinary share within an entity's performance.

(w) Contingencies

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

A contingent asset is not recognised in the attached financial statements, but it is submitted when an input of economic benefits is probable.

(x) Operational segments

An operational segment is a component of an entity:

- Engaging in activities by which it can obtain revenues and by which it can make expenses (including revenues and expenses associated to transactions with other components of the same entity);
- Whose activity results are periodically reviewed by the entity's main decision-maker in view of making decisions about resource allocation by segment and assessing its performance; and
- Which distinct financial information is available for;

The Group carry out operations in many locations of Romania, which are engaged both in transmission and in dispatching activities. Group management consider all operations, overall, as “a single segment”.

Operational segments are provided in consequent manner with internal reporting provided to the main decision-maker of the entity with a view to take decisions on resource allocations by segments and assessing its performance.

(y) Implications of the new International Financial Reporting Standards (IFRS UE)

The following new standards and amendments of existing standards issued by the International Accounting Standards Board (IASB) adopted by the European Union (EU) *have not been enforced yet* for the annual financial reporting ended on 31 December 2021 and have not been applied in the elaboration of these financial statements:

Norm/Interpretation [IAS 8.31 (a), 8.31(c)]	The nature of the imminent change in accounting policy [IAS 8.31 (b)]	Possible impact on the financial statements [IAS 8.31 (e)]
Amendments to IFRS 4 “Insurance Contracts” (effective for annual periods beginning on	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 adoption of the amendments to IFRS 4 did not have an impact on

NPG TRANSELECTRICA SA

Notes to the consolidated financial statements as at December 31st, 2021

(All amounts are in thousand LEI, unless stated otherwise)

<i>or after 1 January 2021)</i>	the effective date of IFRS 9 with the new IFRS 17.	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" <i>(effective for annual periods beginning on or after 1 January 2021)</i>	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" <i>(applicable from April 1, 2021)</i>	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 <i>(effective for annual periods beginning on or after 1 January 2022)</i>	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.
Norm/Interpretation <i>[IAS 8.31 (a), 8.31(c)]</i>	The nature of the imminent change in accounting policy <i>[IAS 8.31 (b)]</i>	Possible impact on the financial statements <i>[IAS 8.31 (e)]</i>
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 Group anticipate the adoption of such standards and amendments to existing standards will not have significant impact over the Group's financial statements in the initial application period.

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

4. DETERMINING THE FAIR VALUE

Certain accounting policies of the Group and requirements of information submission need determination of fair value both for financial assets and liabilities, but also for the non-financial ones. When determining the fair value of assets and liabilities the Group use noticeable market values as much as possible. Fair values are classified by several levels in the fair value hierarchy based on input data used in assessment techniques as follows:

- Level 1: Quoted (unadjusted) prices on asset markets for identical assets and liabilities;
- Level 2: Input data, others than quoted prices included in 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 have been determined for assessment purpose and/or submitting information based on the methods described 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 Group, except for the assets under execution, which are accounted in accordance with the cost-based model.

NPG TRANSELECTRICA SA
Notes to the consolidated financial statements as at December 31st, 2021
(All amounts are in thousand LEI, unless stated otherwise)
5. TANGIBLE ASSETS

From 1 January 2020 until 31 December 2021 tangible assets developed as this:

	Land and land planning	Buildings and special installations	Plant and equipment	Metering and control devices	Vehicles	Other tangible fixed assets	Tangible assets in progress	Total
COST								
Balance on 01 January 2020	89,038	1,402,857	1,560,125	142,631	55,536	289,620	429,822	3,969,629
Inflows	-	406	77	774	210	1,257	377,779	380,504
Transfers from tangible assets in progress	16	27,214	101,478	42,782	12	4,728	(176,228)	-
Reclass between assets accounts	-	(22)	32	(11)	-	-	14,533	14,533
Outflows	-	(6,436)	(526)	(498)	(458)	(198)	(2,683)	(10,799)
Impact of revaluation	(477)	-	-	-	-	-	-	(477)
Balance on 31 December 2020	88,577	1,424,019	1,661,185	185,679	55,300	295,407	643,223	4,353,390
Balance on 01 January 2021	88,577	1,424,019	1,661,185	185,679	55,300	295,407	643,223	4,353,390
Inflows	-	-	536	492	242	137	506,285	507,692
Transfers from tangible assets in progress	1,023	59,616	182,541	10,455	308	340	(254,282)	-
Reclass between assets accounts	-	-	-	-	-	-	(906)	(906)
Outflows	(524)	(156)	(607)	(183)	(298)	(393)	(309)	(2,471)
Impact of revaluation	-	-	-	-	-	-	-	-
Balance on 31 December 2021	89,076	1,483,479	1,843,655	196,442	55,552	295,491	894,011	4,857,705
Accumulated depreciation								
Balance on 01 January 2020	138	81,772	18,475	27,763	36,778	251,470	-	416,396
Depreciation expense	-	76,415	145,440	25,673	5,018	11,913	-	264,459
Accumulated depreciation of outflows	-	(6,284)	(260)	(495)	(397)	(198)	-	(7,634)
Impact of revaluation	-	-	-	-	-	-	-	-
Balance on 31 December 2020	138	151,903	163,655	52,941	41,399	263,185	-	673,221

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

NPG TRANSELECTRICA SA
Notes to the consolidated financial statements as at December 31st, 2021
(All amounts are in thousand LEI, unless stated otherwise)

	Land and land planning	Buildings and special installations	Plant and equipment	Metering and control devices	Vehicles	Other tangible fixed assets	Tangible assets in progress	Total
Balance on 01 January 2021	138	151,903	163,655	52,941	41,399	263,185	-	673,221
Depreciation expense	-	72,609	160,431	28,338	4,350	7,838	-	273,566
Accumulated depreciation of outflows	-	(97)	(137)	(183)	(298)	(393)	-	(1,109)
Impact of revaluation	-	-	-	-	-	-	-	-
Balance on 31 December 2021	138	224,416	323,949	81,096	45,451	270,630	-	945,679
DEPRECIATION ADJUSTMENTS								
Balance on 01 January 2020	-	14,068	(4)	-	-	-	20,891	34,955
Expenditures with impairment adjustments	-	-	(2)	-	-	-	8,953	8,951
Balance on 31 December 2020	-	14,068	(4)	-	-	-	29,844	43,906
Balance on 01 January 2021	-	14,068	(4)	-	-	-	29,844	43,906
Expenditures with impairment adjustments	-	-	-	-	-	-	(13,321)	(13,321)
Balance on 31 December 2021	-	14,068	(4)	-	-	-	16,522	30,585
Net accounting value								
Balance on 31 December 2020	88,439	1,258,048	1,497,534	132,738	13,901	32,222	613,379	3,636,262
Balance on 31 December 2021	88,938	1,244,995	1,519,710	115,346	10,101	24,861	877,488	3,881,441

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

The total net amount of tangible assets was higher on 31 December 2021 compared to 31 December 2020 against a background of increased amounts of tangible assets underway, mainly represented by investments made to high voltage substations and lines as follows:

- The 400 kV double circuit OHL Cernavoda-Stalpu and connection in Gura Ialomitei – 182,526;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I – 400 kV simple circuit OHL Portile de Fier - (Anina) - Resita – 31,022;
- Refurbishing the 400/110/20 kV substation Domnesti – 23,158;
- Refurbishing the 220/110 kV substation Iaz – 22,822;
- Upgrading the 400 (220)/110/20 kV substation Munteni – 21,031;
- Refurbishing the 220/110 kV substation Craiova Nord – 20,332;
- Refurbishing the 400/110/20 kV substation Smardan – 14,745;
- Connecting the 400 kV OHL Isaccea - Varna and the 400 kV OHL Isaccea - Dobrudja in the 400 kV substation Medgidia Sud, stage I - extending the 400 kV substation Medgidia Sud – 14,666;
- Extending the 400 kV substation Gura Ialomitei by two bays: the 400 kV OHL Cernavoda 2 & 3 – 12,666;
- Refurbishing the 220/110 kV substation Hasdat – 11,977;
- Replacing the 400/400/160 MVA 400/231/22 kV AT 3 ATUS-SF of the 400/220 kV Portile de Fier – 11,055;
- Installing the 250 MVA T3 in the 400/110 kV substation Sibiu Sud – 10,975;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – 10,819;
- Refurbishing the 110 kV substation Medgidia Sud – 10,241;
- Upgrading the 220/110/20 kV substation Raureni – 10,234;
- Replacing autotransformers (AT) and transformers (T) in electric substations, stage 2, step 2 - Lot 1 - Lot 2 – 10,125;
- Relocating the 400 KV networks at the crossroads with Belt Motorway Bucharest: 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 – 9,879;
- 400 kV mobile bays to connect shunt reactors in the 400 kV substations Bradu & Sibiu Sud – 9,205;
- Upgrading the 220/110 kV substation Dumbrava – 7,355;
- Refurbishing the 220/110/20 kV substation Baru Mare – 6,244;
- Refurbishing the 220/110/20 kV substation Ungheni – 6,024;
- Installing the 400 MVA, 400/231/22 kV AT 2 and related bays in Substation Iernut and upgrading the command-control system of the 400/220/110/6 kV substation Iernut – 4,854;
- Consolidating the servers and data storage network (private cloud) – 4,665;
- Upgrading the electricity supply to UNO-DEN offices – 4,477;
- Refurbishing the 110 kV substation Timisoara and converting the Portile de Fier - Anina - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II: the 400 kV substation Timisoara – 4,032;
- 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) – 3,746;
- Upgrading the 110 kV and 400 (220 kV) installations in Substation Focsani Vest – 3,746;
- The 400 kV double circuit OHL Gutinas - Smardan – 3,460;
- 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;
- Upgrading the 220/110/20 kV substation Vetis, primary equipment – 3,193;
- Relocating high voltage networks, the 220 kV double circuit OHL Lotru - Sibiu Sud, Lot 1 km 0+000 – km 13+170 – 3,172;
- SDH communication equipment, N-E ring – 3,035;

- Procuring and installing 21 monitoring systems for transformer units in the substations of CNTEE Transelectrica SA – 2,771;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - the 400/220/110 kV substation Resita – 2,659;
- Optimising the operation of the 400 kV OHL Isaccea - Tulcea Vest, the 400 kV OHL Gura Ialomitei - Lacu Sarat by installing monitoring systems – 2,387;
- Replacing the 16 MVA T in Substation Pitesti Sud – 2,211;
- By-passing 400 kV OHL on segment 2, lot 2, situated in Olt County to build express road Craiova-Pitesti, 400 kV simple circuit OHL Slatina-Draganesti Olt – 1,663;
- Pilot project - Refurbishing the 220/110/20 kV substation Alba Iulia as digital substation – 1.551;
- A3 multifunctionals – 1,509;
- Refurbishing the 220/110 kV substation Filesti – 1,269;
- Installing a shunt reactor in the 400 kV substation Sibiu Sud – 1,252;
- The 400 kV substation Stalpu – 1,155;
- Three-phase portable standard meters with associated accessories, sources of portable three-phase load and portable thermal printers – 1,022;
- Extending the 400 kV substation Cernavoda, stage I+II, replacing 2 shunt reactors, connecting new lines – 1,020;
- Replacing circuit breakers in electric substations – 1,005.

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

- Refurbishing the 400/110/20 kV substation Domnesti – 63,522;
- Refurbishing the 220/110 kV substation Craiova Nord – 20,158;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – 17,803;
- Refurbishing the 220/110 kV substation Iaz – 16,571;
- Installing the 250 MVA T3 in the 400/110 kV substation Sibiu Sud – 14,938;
- Extending the business continuity and post-disaster recovery services – 13,998;
- Replacing the 400/400/160MVA 400/231/22 kV AT 3 ATUS-SF in the 400/220 kV substation Portile de Fier – 13,739;
- Replacing AT and T in electric substations, stage 2, step 2 - Lot 1 - Lot 2 – 12,237;
- 400 kV mobile bays to connect shunt reactors in the 400 kV substations Bradu and Sibiu Sud - 12,011;
- Refurbishing the 220/110/20 kV substation Ungheni – 9,921;
- Relocating the 400 KV networks at the crossroads with Belt Motorway Bucharest: 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 – 9,879;
- Refurbishing the 400/110/20 kV substation Smardan – 9,832;
- Freeing the location and providing coexistence conditions with the 400 kV installations of CNTEE TRANSELECTRICA SA in villages Letea Veche and Saucesti, Bacau County (execution) – 5,696;
- Replacing circuit breakers in electric substations – 4,316;
- 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 – 3,824;
- 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 – 3,458;
- Moving and protecting HV electric networks (220 kV – 400 kV), BRASOV-CLUJ-BORS MOTORWAY SECTION 1C - SIGHISOARA-Tg. Mures - SUBSECTIONS 2 & 3 Tg. Mures – Ungheni - Ogra – 3,045;
- SDH communication equipment, N-E ring – 2,731;
- Replacing the 16 MVA T in Substation Pitesti Sud – 2,387;

- The 400 kV OHL Oradea – Beckescsaba – 1,829;
- 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;
- By-passing 400 kV OHL on segment 2, lot 2, situated in Olt County to build express road Craiova-Pitesti, 400 kV simple circuit OHL Slatina - Draganesti Olt – 1,663;
- A3 multifunctionals – 1,509;
- Achieving communication path between Substation Resita and the CTSI offices, UTT Timisoara – 1,459;
- Replacing the shunt reactor of Substation Arad – 1,397;
- Installing a shunt reactor in the 400 kV substation Sibiu Sud – 1,322;
- Access road in Substation Fantanele from DJ 134 – 1,066;
- Three-phase portable standard meters with associated accessories, sources of portable three-phase load and portable thermal printers – 1,056;
- Building platform hall, rolling stock and hydrocarbon separator to store equipment in Substation Suceava – 894;
- Thermal rehabilitation of buildings in the transformer substation Constanta Nord – 630;
- 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;
- Relocating the IO 400 kV ABB LTB 420 E2 circuit breaker in Substation Darste in Substation Rosiori – 470;
- Wi-Fi access system, one's network and internet – 396;
- By-passes and protection of electric networks on the by-passing variant Satu Mare - the 220 kV OHL Rosiori - Vetis – 342;
- Portable analysors for electricity quality – 255;
- Replacing the 6/0.4 kV auxiliary service transformer and related bays in the 220/110 kV substation Baia Mare 3 – 239;
- Installing Line Differential Protection in Substation Baia Mare 3 – 219;
- Installing Line Differential Protection in the 110 kV OHL Jibou bay in the 220/110 kV substation Tihau – 216;
- IP office phone sets – 196;
- Increasing the security of installations in the 400/220/110/10 kV substation Bucharest Sud - Replacing the 10 kV equipment - Lot II – 182;
- Replacing the 220 V accumulator battery no. 1 of dc auxiliary services in the 220/110 kV substation Stupareii – 167;
- Installing and commissioning the Differential Line Protection in the 110 kV Zalau OHL bay in the 220/110/20 kV substation Salaj – 143;
- Direct electricity sources type UPS - 2 pc., 14.5 kW air conditioning equipment - 2 pc., Air dehumidifier - 1 pc. – 124.

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;
- 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;
- Connecting the 400 kV OHL Isaccea - Varna and the Isaccea - Dobrudja OHL in the 400 kV substation Medgidia Sud – 56,714;
- Refurbishing the 220/110 kV substation Hasdat – 53,016;
- Connecting to RET the 300 MW WPP Ivesti, the 88 MW WPP Falciu 1 and the 18 MW WPP Falciu 2 by the new (400)/220/110 kV substation – 46,885;
- Upgrading the 400 (220)/110/20 kV substation Munteni – 31,664;
- Upgrading the 220/110/20 kV substation Laureni – 25,488;

- Upgrading the 220/110 kV substation Dumbrava – 18,630;
- Upgrading the 220/110/20 kV substation Arefu – 16,213;
- Refurbishing the 220/110 kV substation Iaz – 16,122;
- 110 kV, 220 kV and 400 kV mobile bays – 14,297;
- Refurbishing the 110 kV substation Medgidia Sud – 13,738;
- 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 – 13,552;
- Refurbishing the 400/110/20 kV substation Smardan – 13,005;
- Extending the 400 kV substation Gura Ialomitei by two bays: the 400 kV Cernavoda 2 & 3 – 12,811;
- Extending the 400 kV substation Cernavoda, stage I+II, replacing 2 shunt reactors, connecting new lines – 12,175;
- Upgrading the 110 kV and 400 (220 kV) installations in Substation Focsani Vest – 11,926;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - the 400/220/110 kV substation Resita – 9,286;
- 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 – 8,901;
- The 400 kV double circuit OHL Gutinas - Smardan – 7,642;
- Refurbishing the 220/110/20 kV substation Ungheni – 7,068;
- Upgrading the 110 kV substations Bacau Sud and Roman Nord of the 400 kV axis Moldova – 6,883;
- Upgrading the 220/110/20 kV substation Vetis - primary equipment – 6,545;
- Refurbishing the 220/110/20 kV substation Baru Mare – 6,479;
- The 400 kV OHL Gadalin - Suceava, including its SEN interconnection – 6,043;
- 400 kV HVDC Link (Submarine cable Romania - Turkey) – 5,854;
- Replacing AT and T in electric substations, stage 2, step 2 - Lot 1 - Lot 2 – 4,989;
- Integrated security system in electric substations, stage IV – 4,817;
- Consolidating the servers and data storage network (private cloud) – 4,665;
- Upgrading the electricity supply in UNO-DEN offices – 4,537;
- The 400 kV OHL Suceava - Balti for the project portion on Romania's territory – 4,439;
- 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) – 3,746;
- Converting the Portile de Fier - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II, the 400 kV double circuit OHL Resita - Timisoara - Sacalaz – 3,375;
- Extending with new functions the control and IT access supervision in the objectives of CNTEE Transelectrica SA – 3,201;
- Relocating the high voltage networks, the 220 kV double circuit OHL Lotru – Sibiu Sud, Lot 1 km 0+000 – km 13+170 – 3,172;
- 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;
- Integrated security system in electric substations, stage III – 2,798;
- Procuring and installing 21 monitoring systems for transformer units in the substations of CNTEE Transelectrica SA – 2,771;
- 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 – 2,546;
- By-passing the 110 kV OHL Cetate 1 & 2 near the 110/20/6 kV substation Ostrovul Mare – 2,578;
- The 400 kV substation Stalpu – 2,264;
- Refurbishing the 220/110 kV substation Filesti – 1,840;

- Achieving optical fibre communication between Substation Pitesti Sud and the remote control and installations supervision centre of UTT Pitești (SF) – 1,714;
- Executive branch - DCBPA/CPA: Consolidation, upgrade and extension of Transelectrica offices – 1,627;
- The 220 kV double circuit OHL Ostrovu Mare - RET (BA Decision 17/2007) – 1,581;
- Pilot project - Refurbishing the 220/110/20 kV substation Alba Iulia as digital substation – 1,551;
- Integrated security system in the new (400) 220/110 kV substation Banca – 1,133.

In accordance with the provisions of article 46 from ANRE Order 59/2013 approving the Regulation regarding connection of users to electricity networks of public interest, the installations resulting from work to build connection installations and their commissioning are accepted in accordance with the provisions of applicable legislation.

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.

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.

Special buildings and installations mainly comprise 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 using 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:

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

Thus, the value of lands was reduced by 477 thou. lei according to the revaluation reserve account.

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 524 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 Group'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 Group lands was determined using the direct comparison.

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:

	Level 1	Level 2	Level 3	Fair value as of 31 December 2021
Land and land planning	-	88,938	-	88,938
Buildings and special installations	-	-	1,244,995	1,244,995
Plant and equipment	-	-	1,519,710	1,519,710
Metering and control devices	-	-	115,346	115,346
Vehicles	-	-	10,101	10,101
Other tangible fixed assets	-	-	24,861	24,861
Tangible assets in progress	-	-	877,488	877,488

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

	Level 1	Level 2	Level 3	Fair value as of 31 December 2020
Land and land planning	-	88,439	-	88,439
Buildings and special installations	-	-	1,258,048	1,258,048
Plant and equipment	-	-	1,497,534	1,497,534
Metering and control devices	-	-	132,738	132,738
Vehicles	-	-	13,901	13,901
Other tangible fixed assets	-	-	32,222	32,222
Tangible assets in progress	-	-	613,379	613,379

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

	Value at cost 31 december 2021	Value at cost 31 december 2020
Land and land planning	8,150	7,652
Buildings and special installations	786,495	768,365
Plant and equipment	1,122,505	1,041,299
Metering and control devices	96,240	108,641
Vehicles	5,895	8,565
Other tangible fixed assets	28,239	35,667
TOTAL	2,047,524	1,970,183

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

On 31 December 2021 and 31 December 2020 assets related to the rights of use under a lease - buildings were as follows:

	Imobilizari aferente drepturilor de utilizare a activelor luate in leasing-(cladiri)
COST	
Balance on 01 January 2020	14,767
Inflows	39,761
Outflows	(14,767)
Balance on 31 December 2020	39,761
Balance on 01 January 2021	39,761
Inflows	3,560
Outflows	(97)
Balance on 31 December 2021	43,224
ACCUMULATED DEPRECIATION	
Balance on 01 January 2020	8,438
Depreciation expense	8,317
Accumulated depreciation of outflows	(14,767)
Balance on 31 December 2020	1,988
Balance on 01 January 2021	1,988
Depreciation expense	8,545
Accumulated depreciation of outflows	-
Balance on 31 December 2021	10,533
DEPRECIATION ADJUSTMENTS	
Balance on 01 January 2020	-
Expenditures with impairment adjustments	-
Balance on 31 December 2020	-
NET ACCOUNTING VALUE	
Balance on 31 December 2020	37,773
Balance on 31 December 2021	32,690

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 million Euro.

On 31 December 2021 the net amount of the utilisation right of Company-leased spaces in the Platinum Office Building was of 29,821 thousand Lei.

For this contract the Company pays a monthly quantum of 16.67 Euro/m² (VAT free) for the rent of office spaces, a surface of about 9,000 m² resulting an annual amount of 1.8 mill. Euro.

Smart SA has concluded lease contract by which it rented office building of 449.75 m², the Formenerg Building of Blvd. Gheorghe Sincai 3, lease amounting to 53,970 Euro/year in quantum of 10 Euro/m², representing 4,497.5 Euro/month.

Teletrans SA has concluded lease contract by which it rented office building, associated ground and building yard of estimated 1080 m² area rentable and 196 m² yard in exclusive use situated in Street Stelea Spataru 12, representing 8,600 Euro/month.

On 31 December 2021 assets are recognised related to the utilisation rights for leased assets- buildings, which represent the utilisation right of spaces leased also for Smart and Teletrans. Thus, on 31 December 2021 the net amount of the utilisation right for spaces the subsidiaries leased in such office buildings amounted to 2,869 thousand Lei.

7. INTANGIBLE AND FINANCIAL ASSETS

i) Intangible assets

ii)

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

	Licenses and software	Intangible assets in progress	Total
COST			
Balance on 01 January 2020	64,775	20,856	85,631
Inflows	94	3	97
Transfers from intangible assets in progress	237	(237)	-
Transfers form tangible assets in progress	-	(14,533)	(14,533)
Outflows	(179)	(23)	(202)
Balance on 31 December 2020	64,927	6,065	70,992
Balance on 01 January 2021	64,927	6,065	70,992
Inflows	217	687	904
Transfers from intangible assets in progress	1,035	(1,035)	-
Transfers form tangible assets in progress	906	-	906
Outflows	(397)	-	(397)
Balance on 31 December 2021	66,687	5,717	72,404
ACCUMULATED DEPRECIATION			
Balance on 01 January 2020	61,348	-	61,348
Depreciation expense	1,831	2	1,833
Accumulated depreciation of outflows	(179)	(23)	(202)
Balance on 31 December 2020	63,000	(21)	62,979
Balance on 01 January 2021	63,000	(21)	62,979
Depreciation expense	2,065	1	2,066
Accumulated depreciation of outflows	(397)	-	(397)
Balance on 31 December 2021	64,668	(20)	64,647

	Licenses and software	Intangible assets in progress	Total
DEPRECIATION ADJUSTMENTS			
Balance on 01 January 2020	-	351	351
Expenditures with impairment adjustments	-	351	351
Balance on 31 December 2020	2	702	704
DEPRECIATION ADJUSTMENTS			
Balance on 01 January 2021	2	702	704
Expenditures with impairment adjustments	-	(351)	(351)
Balance on 31 December 2021	2	351	353
NET ACCOUNTING VALUE			
Balance on 31 December 2020	1,925	5,384	7,310
Balance on 31 December 2021	2,017	5,387	7,404

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

- Upgrade of the existent antimalware solution – 50;
- Three-phase portable standard meters with associated accessories, sources of portable three-phase load and portable thermal printers – 34;
- PLS and Tower software licences – 19;

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

- Optimising the operation of the 400 kV OHL Isaccea -Tulcea Vest, the 400 kV OHL Gura Ialomitei - Lacu Sarat by installing monitoring systems- alphamonitring, adroperated, adtransient licences, as well as Windows licences for servers and working stations - 866;
- Extending the business continuity and post-disaster recovery services - licences for dispatcher activities and regimes – 614;
- Management application, location of UNO-DEN Bucharest – 317;
- Upgrade of the existent antimalware solution – 50;
- PLS and Tower software licences – 19;

The balance of intangible assets under execution on 31 December 2021 in amount of 5,478 thousand Lei was represented by projects in progress.

ii) Financial assets

They comprise the net value of shares held by the Company amounting to 36.340 thousand Lei on 31 December 2021 and were as follows:

Shares held in FORMENERG	1,948 thousand Lei
Shares held in ICEMENERG	-
Shares held in OPCOM	30,687 thous Lei
Shares held in ICEMENERG SERVICE	-
Shares held in BRM	23 thousand Lei
Shares held in TSC NET	2,207 thousand Lei
Shares held in the Joint Allocation Office SA	1,232 thousand Lei
Shares held in SELENE CC Societe Anonyme	242 thousand Lei
Total shares held in affiliated entities	36.340 thous Lei

8. INVENTORIES

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

	31 December 2021	31 December 2020
Spare parts	32,606	24,088
Consumables and other materials	10,843	9,106
Auxiliary materials	3,151	11,491
Other inventories	2,081	2,955
Total	48,681	47,640

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

	31 December 2021	31 December 2020
Adjustments for impairment of consumables	10,364	10,047
Adjustments for impairment of other materials	5,889	4,593
Adjustments for impairment of packaging	223	220
Total	16,476	14,860

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

	31 December 2021	31 December 2020
Opening balance 1 january	14,860	10,652
Inventories impairment adjustments	2,521	4,524
Reversal of inventories impairment adjustments	(904)	(196)
Balance on the end of period	16,476	14,860

In 2021 expenses made for the consumption of materials and spare parts were the following:

	31 December 2021	31 December 2020
Expenditures on spare parts	24,166	19,536
Expenditures on consumables	2,812	3,517
Expenditures on other materials	1,693	1,518
Expenditures on auxiliary materials	172,292	219,351
Expenditures on fuel	2,474	1,910
Total	31,317	26,700

9. TRADE AND OTHER RECEIVABLES

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

	31 December 2021	31 December 2020
Trade receivables	2,185,797	856,465
Other receivables	197,741	117,571
Down payments to suppliers	701,362	44,854
Non-reimbursable funds receivable	-	-
VAT to recover	122,538	34,349
Adjustments for impairment of uncertain trade receivables	(150,558)	(138,971)
Adjustments for impairment of other uncertain receivables	(70,987)	(60,019)
Total	2,985,893	854,250

The structure of trade receivables was the following:

	31 December 2021	31 December 2020
Clients on the electricity market, of which:	2,182,908	847,744
- Clients - operational activities	1,408,379	474,770
- Clients - balancing market	566,727	177,925
- Clients - bonus type support scheme to promote high efficiency cogeneration	207,803	195,049
Clients from other activities	2,889	8,721
Total trade receivables	2,185,797	856,465

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, 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 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 from RAAN – 63,467 and CET Govora SA – 13,235;
- 2014 undue bonus amounting to 3,915 from RAAN – 1,981, CET Govora – 1,934;
- 2015 undue bonus amounting to 564 from CET Govora - 534, Interagro - 30;
- 2020 undue bonus amounting to 522 from Donau Chem;
- Cogeneration contribution not collected from the suppliers of electricity consumers in amount of 21,162 from: Transenergo Com – 5,882, Petprod – 4,391, Romenergy Industry – 2,681, RAAN- 2,386, UGM Energy – 1,504, CET Govora – 901, KDF Energy – 888 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 16,475) from Electrocentrale Bucharest, and 11,730 of 2021 undue bonus amounting to 12,252 established under ANRE Decisions from the following producers: Bepco SRL, Energy Complex Hunedoara, Energy Complex Oltenia, CET Arad, CET Govora, Contourglob Solutions, Electrocentrale Bucharest, Electro Energy Sud, Electrouilaj 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.

- File 9089/101/2013/a140 was registered on the docket of Mehedinti Tribunal, Section II Civil of Administrative and Fiscal Disputes pertaining to “claims in sum of 86,513,431”, where the Company was claimant and the **Independent Authority for Nuclear Activities, RAAN** was the defendant.

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

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

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

Once submitting the receivable statement under RAAN’s bankruptcy procedure Transelectrica SA can resort to the provisions of article 52 from Law 85/2006, applicable to RAAN’s bankruptcy procedure, provisions resumed in article 90 of Law 85/2014 on the creditor’s right to invoke compensation for its receivables with its debtor’s to it, whenever the law-provided conditions for legal compensation are complied with on the procedure opening date. Transelectrica SA was recoded 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 was 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.

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

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

Settlement of Mehedinti Tribunal: “It admits the exception of decline. It partly admits the main issue and associated contestation. It compels defendant RAAN to pay to claimant Transelectrica the amount of 16,950,117.14 Lei as liability accrued during the procedure, judging to record it in the creditors’ table constituted against debtor RAAN. The other associated requests are denied. In accordance with article

453 para 2 from the Civil Procedural Code it compels the defendant to pay 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 contradictory decisions, registered under file 1711/54/2019, with hearing term on 25.03.2020 at the Appeal Court Craiova, which will refer the file to the High Court for Cassation and Justice for competent settlement.

Under bankruptcy file no. 9089/101/2013, Mehedinti Tribunal established the term on 26.03.2020 in order for the procedure to continue. Pursuant to article 63 para 11 of Decree 240/2020, the file was lawfully suspended.

After lifting the state of emergency and resuming the activities of the courts, at the hearing of 08.10.2020, the court granted term for the continuation of liquidation proceedings, the representation of the debtor's interests in litigation pending before the courts, consolidating the bankruptcy mass, continuing measures to recover debts, continuing auctions having as object the capitalisation of the debtor's assets. The next term was established 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 which had determined the 2011-2013 overcompensation was suspended by court civil judgment 3185/27.11.2015 CET Govora SA had no longer complied with 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 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 applied the provisions of article 17 para 5 of ANRE Order 116/2013 for mutual receivables and liabilities occurred after the insolvency procedure, namely withholding the bonus due to CET Govora SA up to the concurrence of amounts related to the support scheme that were not paid to the Company. Transelectrica a fost înscrisă în Tabelul preliminar și în cel definitiv cu o creanță în valoare totală de 28.200 of which suma de 25.557 este aferenta schemei de sprijin. Transelectrica was registered in the Preliminary and final receivables table with total amount of 28,200, of which 25,557 relate to the support scheme. Mention should be made this receivable amounting to 21,962 Lei representing principal and penalties related to invoice 8116/08.04.2016, was registered under the suspensive condition of pronouncement of a final juridical ruling in favour of ANRE under file 2428/2/2014

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

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

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

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

Under such circumstances the Company included the amount of 22,188 from the support scheme in the sundry debtors' account, which is analytically distinct - ANRE, and impacts the net position of the support scheme. This amount represents receivable to collect from CET Govora under the support scheme (in amount of 25,557), corrected with the bonus in sum of 3,369 withheld by the Company according to article 17 para 5 of Order 116/2013 from the president of ANRE.

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 197,741 thousand Lei mainly included:

- Sundry debtors (96,761 thousand Lei), of which:
 - Delay penalties calculated to defaulting clients, amounting to 88,155 (of which 35,357 represent penalties of the support scheme). The greatest delay penalties were recorded for the following clients: RAAN (16,901), CET Govora (9,607), Electrocentrale Bucharest (9,409), Romelectro (8,915), Eco Energy SRL (8,910), Petprod SRL (8,895, Romelectro (8,915), Total Electric Oltenia (3,289), OPCOM (2,184). Impairment allowances were calculated for late payment of receivables from operational activities;
 - Compensations owed by suppliers for not delivering electricity (Arelco Power 988) and Enol Group (2,541). 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;
- Deferred expenses amounting to 5,799,817 mainly represented by: CPT procurement (4,678), rent and maintenance of office building (746), RCA & CASCO policies (188) and others;
- Other non-current receivables amounting to 4,257, of which 4,200 represent securities for temporary land 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 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 701,362 and mainly represent amounts from the transactions of the price-coupling mechanism (ICP – *Interim Coupling Project*, SIDC - *Single Intraday Coupling* și SDAC - *Single Day-ahead Coupling*) (632,707 for

ICP and SDAC while 66,989 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 2nd wave was launched under the single European intraday markets coupling (SIDC – *Single Intraday Coupling*), with first deliveries on 20 November. Seven countries: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Slovenia joined the fourteen 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 coupling mechanism provides uninterrupted matching of sale and purchase offers made by market participants from a bidding zone with the sale and purchase offers from within one's own bidding zone and from any other bidding zone with available cross-border capacity.

În calitate de Agent de Transfer, CNTEE Transelectrica SA are sarcina comercială de a deconta energia tranzacționată între OPCOM SA, MAVIR și IBEX.

Data de 28 October 2021 reprezintă startul noii cuplări de succes SDAC *Single Day-ahead Coupling*, rezultatul cooperării dintre Operatorii Desemnați ai Pieței de Energie Electrică (OPEED) și Operatorii de transport și sistem (OTS) din Bulgaria și România, respectiv IBEX EAD, OPCOM S.A., ESO EAD și CN Transelectrica S.A. Scopul SDAC este de a crea o piață de energie pan-europeană unică transfrontalieră pentru ziua următoare. O piață pentru ziua următoare integrată crește eficiența generală a tranzacționării prin promovarea concurenței efective, creșterea lichidității și permiterea unei utilizări mai eficiente a resurselor de producere în întreaga Europă.

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

VAT to recover

VAT to recover (122,538 thousand Lei) an amount which has not been recovered by the elaboration date of these financial statements.

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

The Group's policy provides registration of allowances for value losses amounting to 100% for clients under disputes, under insolvency and bankruptcy and to 100% of trade receivables and other receivables not cashed within more than 180 days, except for outstanding receivables generated by the support scheme. The Group also makes case by case 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 thousand Lei), Eco Energy SRL (24,736 thousand Lei), Petprod SRL (23,540 thousand Lei), Arelco Power (14,788 thousand Lei), Total Electric Oltenia SA (14,186 thousand Lei), Romenergy Industry (13,513 thousand Lei), Romelectro SA (12,956 thousand Lei), GETICA 95 (12,541 thousand Lei), Elsaco Energy (9,276 thousand Lei), and RAAN (8,517 thousand Lei).

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

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

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

	31 December 2021	31 December 2020
Current bank accounts and deposits of which:	264,498	569,699
- cash and deposits from high efficiency cogeneration	157,024	120,580
- cash of revenues from the allocation of interconnection capacities used for network investments	3,155	103,175
- cash from the connection fee	30,164	17,811
European funds	287	12,074
Cash desk	157	148
Other cash equivalents	1	0
Total	264,656	569,847

11. OTHER FINANCIAL ASSETS

Other financial assets include bank deposits with an initial maturity of more than 90 days. On 31 December 2021 and 31 December 2020 other financial assets were as follows:

	31 December 2021	31 December 2020
Bank deposits with maturity above 90 days	-	0
Total	-	0

As of December 31, 2021, there are no bank deposits with an initial maturity of more than 90 days.

12. SHAREHOLDERS' EQUITIES**Share capital**

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

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

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

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

NPG TRANSELECTRICA SA**Notes to the consolidated financial statements as at December 31st, 2021***(All amounts are in thousand LEI, unless stated otherwise)*

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 NPG Transelectrica SA from the Romanian State's account through the Ministry of Economy into the Romanian State's account represented by the Government through the Secretariat General of the Government in consequence of applying the provisions of the Governmental Emergency Ordinance 68/06.11.2019 establishing measures for public central administration and amending and adding certain norms.

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

At the end of each reporting period the Company's full share capital subscribed and 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 Trade Register Office.

The shareholder structure on 31 December 2021 and 31 December 2020 was the following:

Shareholder	31 December 2021		31 December 2020	
	Number of shares	% of share capital	Number of shares	% of share capital
Romanian State by MECRMA	43.020.309	58.69%	43,020,309	58.69%
Other legal person shareholders	16.172.331	22.06%	16,305,068	22.24%
DEDEMAN SRL	4.753.567	6.48%	4,753,567	6.48%
Privately managed pension fund NN	4.007.688	5.47%	4,007,688	5.47%
Other natural person shareholders	5.349.247	7.30%	5,216,510	7.12%
Total	73.303.142	100.00%	73,303,142	100.00%

The Group recognises the share capital changes according to the terms of applicable legislation and only when they have been approved by the Shareholders' General Extraordinary Assembly and recorded in the Trade Register Office.

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

	31 December 2021	31 December 2020
Share capital (nominal value)	733,031	733,031
Share capital balance	733,031	733,031

Shareholders are entitled to dividends, each share conferring one voting right at Company reunions.

The value of 2020 dividends, distributed distributed from net profit and retained earnings according to SOGA Decision 3/22.06.2021, amounted to 63,774. They were paid by means of the Central Depository beginning with 09 August 2020.

Share premium

All shares issued under the share capital increase performed by the primary public initial offer in 2006 were fully subscribed and paid at issuance price. The share premium amounting to 49,843 namely the difference between the share issuance price and their nominal value was registered in the Company's reserve account.

Legal reserves

Legal reserves amounting to: 137,927 on 31 December 2021 and to 137,833 on 31 December 2020, represent legal reserves constituted according to applicable legislation in force 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 is reaching 20% of the paid share capital.

Revaluation reserves

They amounted to 801,800 on 31 December 2021 and to 872,379 on 31 December 2020. The last

revaluation of technical installations and transportation means took place on 31 December 2019 by SC JPA Audit & Consultance SRL, independent valuator licensed by the National Union of Licensed Valuators of Romania.

Other reserves

As of December 31, 2021, other reserves amount to RON 31,186 compared to RON 17,482 as of December 31, 2020. The increase as of December 31, 2021 compared to December 31, 2020 is mainly due to subsidies received for:

- 5,696 lei - extension of the site on the 400kV OHL Bacău Sud - Roman (installation of 9 towers 15, 16, 17, 17bis, 20, 21, 22, 22bis, 35) and on the 400kV OHL Gutinaș - Bacău Sud (installation of 2 towers 152, 153 bis);
- 3,458 lei - relocation of high voltage networks, Sibiu - Pitești Highway, km 0 + 000 - km 14 + 150, Lot 1: km 0 + 000 - km 13 + 170, OHL 400 kV s.c. Țânțăreni - Sibiu Sud;
- 3,045 lei - relocation and protection of high voltage networks (220 kV - 400 kV) - Brașov - Cluj - Borș Highway, section 1C - Sighișoara - Târgu-Mureș, Subsections 2 and 3 Târgu-Mureș - Ungheni - Ogra;
- 1,663 lei - deviation of 400 kV OHL SC Slatina - Drăgănești Olt (towers 16, 16 bis).

Result carried forward

The retained earnings amounted to 1,631,074 on 31 December 2021.

On 31 December 2021 the Company registered positive retained result mainly due to the transfer of revaluation reserves as non-current assets have been amortised in the result carried forward amounting to 70,579 lei.

On 31 December 2020 actuarial profit recorded in the retained result amounted to 9,382 lei. Such amount resulted from the application of IAS 19 provisions – Employee benefits (Note 15).

From the net accounting profit achieved by Transelectrica on December 31, 2021 in the amount of 450 thousand lei, the amount of **356** thousand lei is distributed to “**Other reserves**”, a value that represents the distribution to reserves of the profit amount for which it benefited from tax exemption on profit, except the part related to the legal reserve, up to the competition of the accounting profit registered at the end of the financial year, according to the provisions of art. 22 of Law no. 227/2015 on the Fiscal Code, with later amendments and additions.

Net profit distribution on 31 December 2021

The proposal to distribute the accounting profit remaining after income tax deduction on 31 December 2021, amounting to 450, is the following:

The proposed distribution of accounting profit remaining after deduction of income tax on 31 December 2021 was executed 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;
- 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 certain 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 the Council of 13 July 2009 regarding the 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 (T_G) and when taking out electricity from the grid (T_L) and the price of reactive electricity for NPG Co. Transelectrica S.A., valid as of 1 January 2021, transmitted by ANRE with letter 1000068/14.12.2020;
- Revenue and expense budget approved by SGA Decision 2/29.04.2021.

Thus the 2021 accounting profit remaining after deduction of income tax was distributed to the following destinations:

a) *Legal reserve amounting to 94 thou. lei* - determined at 5% according to the provisions of article 26 para. (1) let. a) of Law 227/2015 on the Fiscal Code, with later amendments and additions and Company Law 31/1991;

b) *Other reserves representing law-provided fiscal facilities amounting to 356 thou. lei* - represented by tax payment exemption for reinvested profit, in accordance with the provisions of article 22 of Law 227/2015 on the Fiscal Code, with later amendments and additions.

13. DEFERRED REVENUES

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

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

	31 December 2021	Of which: current part on 31 decembrie 2021	31 December 2020	Of which: current part on 31 decembrie 2020
Deferred revenues – allocation of the interconnection capacity	7,649	7,649	2,673	2,673
Deferred revenues – European funds	2,076	2,076	1,411	1,411
Connection fee funds	260,881	14,814	258,087	16,999
European funds	178,667	6,138	92,135	6,948
Other subsidies	25,902	1,060	27,116	1,362
Total	475,175	31,738	381,422	29,393

Current deferred revenues were as follows in 2021:

	31 December 2021	31 December 2020
Opening balance 1 january	29,393	37,210
Cash in advance related to interconnection capacity	38,428	53,932
Proceeds from European funds	1,092	311
Transfer of long-term deferred revenues (connection tariff)	(2,914)	(3,930)
Revenues from the use of interconnection capacities	(33,452)	(57,016)
Revenues from European funds	(809)	(1,114)
Balance on the end of period	31,738	29,393

Non-current deferred revenues were as follows in 2021:

	31 December 2021	31 December 2020
Opening balance 1 january	352,029	360,641
Connection subsidies	3,662	6,673
Non-reimbursable funds	(93,133)	(33)
Non-refundable funds to be repaid	-	-
Transfer from short term deferred revenues	203,483	7,393
Subsidies wich resumed into revenues	(22,603)	(22,645)
Balance on the end of period	443,437	352,029

14. BORROWINGS

Non-current loans

On 31 December 2021 and 31 December 2010 amounts owed to credit institutions were as follows:

Description	31 December 2021	31 December 2020
BEI 25709 (i)	47,648	58,613
BEI 25710 (i)	55,666	66,538
Total non-current loans from credit institutions, of which:	103,314	125,151
Less: Current portion of non-current borrowings	(23,859)	(23,480)
Total non-current loans net of current instalments	79,455	101,671

Situația împrumuturilor pe termen lung la data de 31.12.2021:

Loan name	Grant date	Amount (hard currency)	Balance on 31.12.2021 (hard currency)	Balance on 31.12.2021 (RON)
BEI 25709	05.08.2010	32,500,000 EUR	9,629,630 EUR	47,648,371
BEI 25710	05.08.2010	32,500,000 EUR	11,250,000 EUR	55,666,125
TOTAL				103,314,496

Non-current loans are detailed as follows:

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

EIB loans 25709 and EIB 25710 were granted 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 Branch. Repayment interval is 15 years with 2 years' grace period. Reimbursement began in 2012 to continue until 2025 for EIB loan 25709 (10 March and 10 September each year) and it began in 2013 to go on until 2028 for EIB loan 25710 (11 April and 11 October each year). Interest rate is 3.596% under EIB 25709, and 3.856% & 2.847% for EIB 25710.

The amount owed on 31 December 2021 for EIB 25709 was 9.5 mill. EUR and 11.3 mill. EUR for EIB 25710.

EIB loan agreement 25709 includes certain financial covenants: (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 noncurrent liabilities and shareholders' equities should not exceed 0.95; (iii) the ratio between total net liability and EBITDA should be maximum 3.5.

EIB loan agreement 25710 was secured by BNP Paribas SA Bucharest Branch. 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.

On 31 December 2021 financial indicators of credit contracts have been fulfilled.

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

	31 December 2021	31 December 2020
From 1 to 2 years	23.859	23.480
From 2 to 5 years	54.168	70.440
More than 5 years	1.427	7.752
Total	79.455	101.671

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 are bearers of fixed interest.

Current loans

They are detailed as follows:

	31 December 2021	31 December 2020
Current portion of non-current borrowings	23,859	23,480
Smart credit lines	2,707	8,864
Interest related to the non-current and current loans	1,013	1,230
Total current borrowings	27,579	33,574

- *Borrowings contracted for current activities*

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

The credit line has been 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 Vănzare S.A., E.ON Energie Romania S.A., Enel Energie S.A., SC Tinmar Energy S.A., and Enel Energie Muntenia S.A. .

The contract was completed on 11.03.2021.

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

The credit line is secured by means of:

- Chattel mortgage on the bank account opened with the bank;
- Chattel mortgage on the receivables resulting from the high efficiency cogeneration contribution contracts concluded with Electrica Furnizare S.A., Enel Energie S.A., CEZ Vănzare S.A., Getica 95 Com S.R.L., and Enel Energie Muntenia S.A. .

On 31 December 2021 the credit line has not been used.

In November 2021, SMART S.A. concluded a new credit facility with Banca Românească worth 12,000 lei to finance the current activity and refinance the credit line held at Libra Internet Bank, for a period of 12 months maturing on November 23, 2022.

15. OBLIGATIONS REGARDING EMPLOYEES' BENEFITS

In accordance with HG 1041/2003 and HG 1461/2003 the Group provides benefits in kind as free electricity to employees that retired from the predecessor company.

Also in accordance with the collective labour contract the Group 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 Note 28 *Salaries of Company management*.

Long-term benefits provided by the Group include as follows:

- 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 of 1,200 kWh/year granted after retirement.

Actuarial calculations regarding post-employment benefits and other long-term benefits were determined by licensed actuary under a service contract concluded with S.C. Casianis Bucuresti S.R.L. .

Obligations regarding employees' benefits are as follows:

	31 December 2021	31 December 2020
Jubilee premiums	32,246	32,207
Retirement premiums	18,127	19,893
Free electricity for current and retired employees	24,801	35,019
Contractual termination benefits	-	0
Maternity premiums	99	80
Total	75,272	87,200

On 31 December 2021 and 31 December 2020 the Group has obligation amounting to 75,272 namely to 87,200 regarding long-term benefits granted to employees.

OBLIGATII PRIVIND BENEFICIILE ANGAJATILOR

	31 Decembrie 2020	Cost of interest	Cost of current service	Payments from provisions	Actuarial loss of the period	31 Decembrie 2021
Benefits pertaining to jubilees premiums to be granted to current employees	32,207	889	7,644	(3,134)	(5,360)	32,246
Benefits pertaining to maternity premiums to be granted to current employees	80	3	15	(425)	426	99
Benefits pertaining to retiree premiums of current employees	19,893	436	965	(2,054)	(1,114)	18,127
Medical help benefits according to the employment contract	-	-	-	-	-	-
Benefits pertaining to premiums granted for the labor agreement termination	-	-	-	-	-	-
Benefits pertaining to the counter value of electricity to be paid to current employees after retirement	14,666	214	(3,226)	-	(3,789)	7,864
Benefits pertaining to the counter value of electricity paid to current retirees	20,353	481	(2,959)	(1,669)	731	16,937
Total	87,200	2,023	2,439	(7,283)	(9,107)	75,272

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

16. a. TRADE AND OTHER LIABILITIES

On 31 December 2021 and 31 December 2020 trade and other liabilities were as follows:

	31 December 2021	31 December 2020
Providers - electricity market	1,893,042	468,111
Asset providers	140,688	112,438
Providers of other activities	27,688	18,438
Amounts due to employees	10,610	11,303
Other liabilities	935,109	268,560
Total	3,007,137	878,850

On 31 December 2021 and 31 December 2020 liabilities on balance on the electricity market amounted to 1,893,042 namely to 468,111 and were structured as follows:

	31 December 2020	31 December 2020
Providers - electricity market, of wich:		
-providers - operational activity	1,125,211	178,659
-providers - balancing market	549,941	140,354
-providers- bonus type support scheme to promote high efficiency cogeneration	217,890	149,098
Total	1,893,042	468,111

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 were recorded (RAAN – 32,180 and CET Govora SA – 3,369), 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.

NPG Co. Transelectrica S.A. concluded with CET Govora SA an agreement to compensate and spread

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

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

In accordance with such Agreement the Company's receivables collectable from CET Govora SA were compensated with its liabilities to CET Govora SA, represented by cogeneration bonus for May 2014 – October 2015 amounting to 40,508 withheld by applying the provisions of article 17 para. 5 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
Various creditors	145,712	162,823
Client-creditors	751,982	66,358
Dividends to pay	234	191
Other liabilities	37,180	39,187
Total	935,109	268,560

- "Various creditors" amounted to 145,712 on 31 December 2021, mainly representing:

- The net position of the support scheme for high efficiency cogeneration in amount of 138,654, 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.

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

- 3,682 under study contracts for RET connection; 924 studies for the synchronous interconnection of power systems from Ukraine and Republic Moldova with the European continental system; 1,179 royalty in quarter 3, 2021 and others.

- “Client creditors” on 31 December 2021 amounted to 751,982, of which 751,621 are deferred proceeds from OPCOM (545,873), MAVIR (202,496) and IBEX (3,252) 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 thou. lei. These amounts are at the shareholders’ disposal through the payment agent.

- “Other liabilities” amounting to 37,180 thou. lei are mainly represented by the performance bonds on contracts from the electricity market concluded by NPG Co. Transelectrica S.A. in sum of 21,903 thou. Lei and non-demandable VAT during the reporting period, in sum of 14,405 thou. lei.

16.b LIABILITIES - BUILDING LEASING

On 31 December 2021 the **liability for assets associated to the usage right for leased assets - buildings**, according to the provisions of IFRS 16 – Leasing Contracts is as follows:

	31 December 2021	31 December 2020
Liabilities - Building leasing, short term	8.966	7.417
Liabilities - Building leasing, long term	24.656	30.532
Total	33.622	37.948

17. PROVIZIOANE

La 31 decembrie 2021 și 31 decembrie 2020 situația provizioanelor se prezintă, astfel:

	31 December 2021	31 December 2020
Provisions for litigations	32,379	51,144
Provisions for mandate contracts	20,478	33,233
Provisions for the employees’ profit participation fund	0	3,973
Other provisions	805	4,661
Total	53,662	93,011

Provisions for disputes on balance on 31.12.2021 amounted to 32,379 thou. lei and are mainly represented by provisions constituted for the following:

- *File 36755/3/2018 – claimant Conaid Company SRL (17,216 thou. lei)* - more details about this file are provided in Note 26 – Commitments and contingencies;
- *Files 105/2/2017 and 2494/115/2018* (10.649 thou. lei)* - claimant Resita City.

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

- 2,130 thou. lei, representing rent for the land temporarily taken up from the forest fund in 2015;
- 2,130 thou. lei, representing land rent for 2016;
- 2,130 thou. lei, representing land rent for 2018;
- 2,130 thou. lei, representing land rent for 2019;
- 2,130 thou. 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 (1,473)*

On 26.06.2020 Nuclearelectrica summoned the Company to pay 1,291 thou. Lei representing negative imbalance and 182 thou. 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 1,291 thou. 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 thou. 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 thou. 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 S.A. 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 thou. Lei of which 19,127 thou. Lei represents the variable component of OAVT packages allocated and not capitalised during the mandate terms of executive and non-executive administrators in 2013-2017.

18. INCOME TAX

In 2021 and 2020 it was the following:

	31 December 2021	31 December 2020
Expenses with current income tax	(21,144)	(48,461)
Net income from deferred income tax	20,188	19,323
Total	(956)	(29,138)

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:

	31 December 2021	31 December 2020
Income tax at statutory rate of 16%	572	27.366
Effect of non-deductible expenses	18,098	28,194
Effect of non-taxable revenues	(14,310)	(7,416)
Reserve from taxable revaluation	16,396	23,777
Legal reserve	(15)	(1,350)
Exempted income tax	(1,046)	(8,771)
Other effects	(16,571)	(13,291)
Total	(3,123)	(48,509)

DEFERRED INCOME TAX

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
Property, plant and equipment – useful life	6.371	19.543	-	25.914	10.392	-	36.306
Property, plant and equipment – revaluation reserves	151.471	(22.093)	534	129.912	(20.397)	-	109.515
Property, plant and equipment financed by subsidies	(2.665)	(1.264)	-	(3.929)	(1.141)	-	(5.070)
Obligations regarding employee benefits	(1.830)	(12.276)	110	(13.996)	1.952	-	(12.044)
Employees participation to profit	-	(627)	-	(627)	627	-	-
Interconnection estimate	(1.190)	902	-	(288)	(136)	-	(424)
Provisions	(6.777)	(1.294)	-	(8.071)	3.031	-	(5.040)
Mandate contracts	-	(89)	-	(89)	89	-	-
Inventory adjustments	-	(1.974)	-	(1.974)	(327)	-	(2.301)
Other elements	-	-	-	-	(14)	-	(14)
Tax (assets)/liabilities	145.380	(19.172)	644	126.852	(5.925)	-	120.927

	Asset		Liability		Net	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Property, plant and equipment – useful life	(2.970)	(1.300)	39.276	27.214	36.305	25.914
Property, plant and equipment – revaluation reserves	(20.397)	(23.755)	129.912	153.667	109.515	129.912
Property, plant and equipment financed by subsidies	(1.188)	(1.285)	(3.882)	(2.644)	(5.070)	(3.929)
Obligations regarding employee benefits	(12.044)	(13.996)	-	-	(12.044)	(13.996)
Employees participation to profit	-	(627)	-	-	(0)	(627)
Interconnection estimate	(424)	(288)	-	-	(424)	(288)
Provisions	(5.040)	(8.071)	-	-	(5.040)	(8.071)
Mandate contracts	-	(89)	-	-	-	(89)
Inventory adjustments	(2.301)	(1.974)	-	-	(2.301)	(1.974)
Other elements	(14)	-	-	-	(14)	-
Net tax (assets)/liabilities	(44.379)	(51.385)	165.306	178.237	120.927	126.852

19. RESULT PER SHARE

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

	31 December 2021	31 December 2020
Result of the financial exercise	1,304	141,901
Number of ordinary shares at the beginning and at the end of the period	73,303,142	73,303,142
Basic and diluted lost/earnings per share (RON/share)	0.02	1.94

20. OTHER TAX AND SOCIAL SECURITY LIABILITIES

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

	31 December 2021	31 December 2020
Contribution to the social security funds	13,430	15,633
Payable VAT	3,244	5,502
Salary tax	2,424	2,850
Other tax payable	1,431	1,067
Total	20,527	25,052

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.

21. 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 no. 10/24.02.2021 for 01 March – 31 December 2021	20.55	10.82	-
Order no. 214/09.12.2020 for 01 January – 28 February 2021	20.55	11.96	-
Order no. 142/29.06.2020 for 01 July – 31 December 2020	17.97	11.96	2.49
Order no. 10/15.01.2020 for 16 January – 30 June 2020	17.97	13.05	1.84
Order no. 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.

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:

	31 December 2021	31 December 2020
Quantity of electricity delivered to consumers (MWh)	56,353,023	53,849,411

Operational revenues achieved in 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Transmission revenues	1,151,786	963,063
Revenues from the allocation of interconnection capacities	64,727	58,725
Revenues from reactive energy	662	654
Revenues from transactions with own technological consumption	3,276	3,518
Inter TSO Compensation (ITC) revenues	31,834	9290
Total revenues from electricity transmission	1,252,286	1,035,250
Revenues from functional system services	0	117,017
Revenues from technological system services	622,888	674,057
Revenues from unplanned exchanges on DAM	832	3,952
Revenues of failure aids	0	0
Total revenues from system services	623,720	795,025
Revenues on the balancing market	1,822,564	494,999
Other revenues	85,432	67,625
Total revenues	3,784,002	2,392,901

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 71,707 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 6,002 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 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 2nd 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 242 thou. lei 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 OTC transactions

Such OTC 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 lei 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 51,169 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 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 $k\Delta f$, 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 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 settle 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 CO2 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.

22. SYSTEM OPERATION AND BALANCING MARKET EXPENSES

These expenses made in 2021 and 2020 were as follows:

	31 December 2021	31 December 2020
Expenses on own technological consumption	527,639	251,865
Congestion expenses	1,603	2
Expenses for the electricity consumption in RET substations	24,582	16,230
Expenses regarding functional system services	4,022	30,492
ITC expenses (Inter TSO Compensation)	18,562	11,256
Total system operating expenses	576,409	309,846
Expenses regarding technological system services	609,608	566,016
Balancing market expenses	1,809,588	494,999
Total	2,995,605	1,370,861

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 (BM) and the Intraday Market (IDM) to cover one's own technological consumption (OTC) within RET.

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

- Given its characteristics one's Technological Consumption (OTC) 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;
- 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. OTC 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, 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 8,352 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 in 2021 compared to 2020.

Inter TSO Compensation (ITC) expenses

ITC expenses amounted to 18,562 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 7,306 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.

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 43,592 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 and were by 1,314,589 higher than the 2020 expenses. These expenses result from the notifications / achievements of the participants on this market.

23. PERSONNEL EXPENSES*i) Personnel expenses*

	<u>31 December 2021</u>	<u>31 December 2020</u>
Personnel expenses	317,510	338,889
- of which expenses for employees salaries	<u>286,151</u>	<u>274,357</u>

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:

Average number of employees	<u>31 December 2021</u>	<u>31 December 2020</u>
Transelectrica SA	2,015	2,021
Smart SA	610	603
Teletrans SA	<u>217</u>	<u>226</u>

24. OTHER OPERATIONAL EXPENSES

	<u>31 December 2021</u>	<u>31 December 2020</u>
Other expenses with services provided by third parties	27,117	85,174
Postal and telecommunication expenses	1,192	1,074
Expenses on rents	5,044	3,264
(Revenues)/ Expense net for impairment adjustments for current assets	24,019	8,276
Other expenses	<u>26,633</u>	<u>31,465</u>
Total	<u>84,003</u>	<u>129,252</u>

In 2021 such expenses dropped by 45,249 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 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 2,846 (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 2,846 thou. 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 mill. 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 mill. Euro fine, they being jointly liable to pay the entire fine."

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.

25. NET FINANCIAL RESULT

	31 December 2021	31 December 2020
Interest revenues	2,596	7,050
Revenues from exchange rate differences	4,144	2,735
Other financial revenues	(72)	287
Total financial revenues	6,669	10,072
Interest expenses	(8,388)	(10,278)
Expenses from exchange rate differences	(7,501)	(5,055)
Other financial expenses	(10)	(9)
Total financial expenses	(15,898)	(15,343)
Net financial result	(9,229)	(5,271)

On 31 December 2021 the Group registered net financial result (loss) amounting to 9,229 and 3,958 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 Group has contracted bank loans in, with a view to finance investment programmes.

On 31 December 2021 out of the total amount of 8,388 (interest expenses) 1,942 represent interest for **the assets related to the usage rights of leased assets - 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:

Currency	31 December 2021	31 December 2020
Lei / Euro	4.9481	4.8694
Lei / Dolar SUA	4.3707	3.966

26. 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.

27. COMMITMENTS AND CONTINGENCIES

➤ Commitments

On 31 December 2021 the Company had commitments amounting to 1,094,744 and representing contracts underway for investments made in order to upgrade and refurbish the transmission network.

➤ Lands used by the Group

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

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' Extraordinary General 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.

➤ **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 1,091, 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 1,091 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 1,091. The sentence was appealed against.

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 3,497, withheld from the payment by the Company on account of non-cashed receivables. The Company refused paying the amount of 3,497 and did not register it as liability in the support scheme.

File **9089/101/2013/a152** pertains to contesting the additional Receivables Table against debtor RAAN, the litigated amount being 89,361 Lei.

Transelectrica SA was recorded in the table of debtor RAAN with only 11,265 Lei, under receivables resulting from continued activities of such debtor but the amount the Company requested was 89,361. The sum of 78,096 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 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 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 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.

On 21.05.2020, the case was removed from the register with the following solution: the exception of material incompetence of the Craiova Court of Appeal was admitted and it was ordered to submit the case to the ICCJ - Administrative and Fiscal Litigation Section. Decision 140/21.05.2020. Hearing term: 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.

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.

*The next term was established on **02.06.2022**.*

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

- **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.

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 thou. 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 from CAB, Section VIII, Administrative & fiscal disputes were denied as groundless; final.

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 18.03.2022**), on the docket of the High Court of Cassation and Justice (**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**).

Five 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 no. 6574/2/2017** on cancelling the findings regarding item 5.2 as well as the measure decided in item II.8, **file no. 6577/2/2017** on cancelling the findings regarding item 13 as well as the measure decided in item II.13, became **file no. 1614/1/2020**, **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 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.

Transelectrica SA attacked the documents issued by the Court of Audit, forming **file 2153/2/2021**, pending before the Bucharest Court of Appeal.

At the deadline of 10.12.2021, the lawsuit filed by the Company was rejected as groundless. Dismisses the application for suspension as groundless. With the right of appeal within 15 days from the notification and with the right of appeal within 5 days from the notification regarding the head of claim on the suspension; the appeal will be submitted to the Bucharest Court of Appeal.

- **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 β 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 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 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 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.

Transelectrica filed an appeal that will be judged on 11.05.2022.

- **OPCOM**

On 24.11.2014 the Electricity and Natural Gas Market Operator OPCOM SA summoned the Company in order to compel it paying 582 thou. Euro (2,585 thou. 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 mill. 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 mill. 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 85 thou. Lei as legal interest related to the period 11.06.2014 – 24.11.2014, plus legal expenses amounting to 38 thou. 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 thou. Euro to the claimant representing the amount which the claimant paid instead of the defendant from the fine amounting to 1 mill. Euro applied by the European Commission's Decision of 05.03.2014 in case AT.39984, as well as associated legal interest to 582 thou. Euro, calculated as of 11.06.2014 until actual payment. Also the court compelled the defendant to pay 38 thou. 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 thou. Lei 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.

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 thou. 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.

The company paid to the subsidiary OPCOM SA the amount of 2,846 (582 thousand Euro) representing the amount paid by the plaintiff OPCOM SA instead of the defendant (the Company) from the total amount of the fine of 1 million Euro, applied by the Decision of the European Commission, on 05.03.2014.

Object of file **no. 22567/3/2019** is the obligation of the defendant OPCOM SA to pay the amount of 4,517 thousand lei related to the invoice series TEL 16 AAA no. 19533 / 29.07.2016, representing VAT equivalent, related to the contribution brought by CNTEE Transelectrica SA to the share capital of OPCOM SA, issued on the basis of Loan Agreement no. 7181RO / 2003, commitment for financing the investment project "Electricity Market Project", obliging OPCOM SA to pay the amount of 1,294 thousand lei related to the invoices TEL 19 T00 no.17 / 28.01.2019 and TEL 19 T00 no.131 / 10.07.2019 representing penalizing legal interest, calculated for non-payment on time of the invoice series TEL 16 AAA no. 19533 / 29.07.2016.

Suspends the trial of the case until the final settlement of the case 31001/3/2017, having as object an action for annulment of the decision of the SGA Opcom (in which Transelectrica is not a party and in which on 01.02.2021 it was ordered to reject the filed appeals, the solution being final).

TMB settlement: prescription exception is allowed. The action is dismissed as time-barred. With the right to appeal within 30 days from the notification, which is submitted to the Bucharest Tribunal, Civil Section VI. Pronounced by making the solution available to the parties through the court registry on 03.12.2021.

- **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 17,420 thou. Lei and for unrealised profits in 2013-2033 amounting to 722,76 mill. EUR. To date the Company has not concluded an addendum to the connection contract because the suspensive terms included in the contract were not 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. At the date of these financial statements, the amounts claimed by Conaid Company SRL were considered as contingent liabilities as it is unlikely that the settlement of this obligation will require outflows of resources incorporating economic benefits, and the value of the obligation can not be assessed credibly enough. **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 thou. 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.

*After several postponements to execute the expertise report a new term was established on **12.04.2022**.*

- **FF WIND ENERGY INTERNAȚIONAL 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 thou. 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 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.

At the trial date of 14.09.2021, the appeal filed by FF Wind Energy International SRL was rejected as groundless. **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 thou. 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 15th 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 15th 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.

The case was postponed until the deadline of 22.06.2020. Settlement in brief: the report on the funds obtained from the liquidation of the debtor's assets and the distribution plan from 03.06.2020 were approved.

The case was postponed until the deadline of 18.01.2021. Settlement in brief: Report no. 1334 on the funds obtained from the liquidation of the debtor's property and Plan no. 1335 distribution of funds were approved.

*A deadline was set for **16.05.2022**, for the continuation of the bankruptcy procedure, by capitalizing the goods and recovering the debts.*

- **REȘIȚA CITY**

File **2494/115/2018*** registered on the docket of Caras Severin Tribunal pertains to summons whereby the claimant Resita City requests compelling defendant Transelectrica SA to pay the following amounts:

- 2,130 thou. lei, representing rent for the land temporarily taken up from the forest fund in 2015;
- 2,130 thou. lei, representing land rent for 2016;
- 2,130 thou. lei, representing land rent for 2018;
- 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. **Final.**

File **2494/115/2018****. Term: 22.03.2021 at Caraș Severin Tribunal. SettlementIt 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. Ruling: Conclusion – Suspension.

- **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 thou. Lei, ANAF – DGAMC established additional fiscal liabilities payable by the Company, amounting to 35,105 thou. Lei, as well as accessory fiscal ones (interest/delay indexations and penalties), amounting to 63,908 thou. 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.

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 thou. Lei, VAT in sum of 5,695 thou. Lei and fiscal accessories pertaining to such main fiscal debts in quantum of 48,437 thou. 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 27,002 thou. 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 344 thou. 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 thou. 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 thou. Lei pertaining to 344 thou. 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 38 thou. Lei pertaining to 231 thou. 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 577 thou. 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 577 thou. 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 thou. 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.

The Company is involved in disputes in contradiction with SMART and Teletrans Subsidiaries as follows:

I. Disputes in contradiction with Subsidiary SMART SA

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

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

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

File stage: Settlement in brief: In accordance with article 413 para. 1 pt. 1 Civil Procedural Code it decided suspending the case until final settlement of file **6577/2/2017** on the docket of CAB, Section II Administrative and Fiscal Disputes (**new ICCJ no. 1614/1/2020**). Deadline for appeal file no. 1614/1/2020: 27.01.2022, a request for reinstatement was filed which has a trial date of 29.03.2022.

Remarks about the circumstances that initiated the proceedings:

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

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

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

File object:

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

File stage:

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

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

File object:

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

File stage:

TMB settlement: the extinction prescription exception was allowed. The objection of inadmissibility was

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

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

II. Disputes in contradiction with Subsidiary TELETRANS SA

- **File no. 20223/3/2017 registered with Bucharest Tribunal, Section VI Civil**

File object:

Teletrans SA requested compelling Transelectrica to pay 4,635 thou. Lei, the performance bond amount constituted under contract C243/2010, which is added 293 thou. Lei, legal interest calculated from due date until file initiation, 31.05.2017.

File stage:

Settlement of Bucharest Tribunal in brief: It denied the request as filed as groundless. Appel right was granted within 30 days from notification, to be submitted to Bucharest Tribunal, Section VI Civil. It was pronounced at public hearing on 18.05.2018. Document: Ruling 1505/2018 / 18.05.2018.

Appeal Court Bucharest's settlement in brief: It admitted the appeal. It changed the sentence appealed against, namely: It partly admitted the summons. It compelled the defendant to pay the claimant 4,632 thou. Lei. It denied as groundless the request petition to compel the defendant to pay legal interest. It compelled the defendant to pay the claimant 50 thou. Lei law court expenses for principal. It compelled the intimated defendant to pay the appellant claimant 25 thou. Lei law court expenses for appeal. Appeal right was granted within 30 days from notification, to be submitted to the Appeal Court Bucharest, Section VI Civil, pending nullity. It was pronounced at public hearing on 17.12.2019. Document: Ruling 2119/2019 / 17.12.2019.

Transelectrica filed appeal which was denied as groundless; Teletrans's appeal was also denied as groundless; final.

Remarks about the circumstances that led to the dispute:

In the opinion of Transelectrica the performance bond (GBE) is restituted only if the following conditions are met cumulatively: the provider has fulfilled its contractual obligations and the purchaser has not issued claims over the GBE, within the limits of incurred prejudice.

On the expiry date of Contract C243/2010 (30.06.2014), the services under the contract were provided under good terms, except for three investment projects which were in progress and have not been completed to date.

Such facts pertaining to Teletrans's incompliance with contractual obligations were also ascertained by Romania's Court of Audit in the Audit Report 19211/26.05.2017 (item 3.3.1, pages 51-60, item 3.3.2, pages 60-66 and item 3.4, pages 66-72) and in Decision 8/27.06.2017, items 7 and 8, maintained by Conclusion 77/03.08.2017.

Transelectrica contested the control documents issued by the Court of Audit. Such contestation is under file **6576/2/2017** on the docket of the Appeal Court Bucharest.

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

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

File object:

By its summons Teletrans SA requested the court:

- To ascertain as fully provided the services under contract 03/2007, as added;

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

File stage:

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

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

Hearing term: 18.08.2021. Settlement in brief: The objection of inadmissibility of the appeal was allowed. The appeal was dismissed as inadmissible. From the date of communication of the present decision, reported to the provisions of art. 457 paragraph 3 of the Code of Civil Procedure, the term for the exercise of the appeal begins to run. Final.

Document: Decision no. 1214 / 06.09.2021.

Teletrans claimed the appeal was under screening procedure at the ICCJ.

Remarks about the circumstances that led to the dispute:

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

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

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

• OTHERS

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

- Control to the Subsidiaries of NPG Co. Transelectrica SA

Control to the Subsidiaries of NPG Co. Transelectrica SA

• TELETRANS SA

Romania's Court of Audit

From 13.01.2020 to 22.05.2020 Romania's Court of Audit performed inspection to Subsidiary Teletrans pertaining to “control on the situation, development and administration of the state's public and private

The attached notes are integral part of these consolidated financial statements.

stocks and the legality in achieving the revenues and making the expenses in 2018 – 2019”.

The control was completed in the subsidiary and CCR auditors issued Report 3930/22.05.2020 and Decision 7/2020 of the Court of Audit.

In 2021, CCR verified the manner of carrying out the measures provided by Decision 7/2020.

• SMART SA

Romania's Court of Audit

Between 13.01-22.05.2020, the external auditors of the Romanian Court of Audit performed a control at the SMART subsidiary on *“control on the situation, development and administration of the state's public and private stocks and the legality in achieving the revenues and making the expenses in 2018 – 2019”.*

The control was completed and CCR issued Report no. 215 / 09.06.2020 and the Decision of the Court of Auditors no. 8/2020.

Subsequently, following the assessment of the manner of carrying out the measures provided by Decision 8/2020, the Follow-up Report was issued in 2021.

ANAF-DGAMC

On 28.08.2020, the tax inspection began, with the objectives of verifying the legality and compliance of tax returns and / or transactions relevant to the tax inspection, the correctness and accuracy of fulfilling the obligations related to the establishment of tax bases and the main tax obligations regarding:

- Value added tax in the period 01/01/2015-31/12-2016;
- Income tax during 01/01/2014-31/12/2016;
- Verification of compliance with the provisions of fiscal and accounting legislation;
- Verification of other issues relevant to taxation, if they are of interest for the application of accounting tax legislation.

The ANAF control was completed by issuing the Report and the Provision regarding the measures established by the fiscal inspection bodies on 22.11.2021.

Romania's Court of Audit – Follow up

During 02.02-07.02.2022, the Romanian Court of Audit carried out a control at the SMART subsidiary to verify the manner of carrying out the measures ordered by Decision 6/2017.

➤ Indemnities

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

	31 December 2021	31 December 2020
Guarantees granted, of which:	346,250	317,705
- letters of guarantee issued – production	86,625	59,426
- letters of guarantee issued – investments	84,625	83,279
- other guarantees granted	175,000	175,000
Guarantees received, of which:	668,520	498,820
- letters of guarantee received – production	257,095	161,190
- letters of guarantee received – investments	363,100	289,687
- other guarantees received	48,326	47,943

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 26,792 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 27,600 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 (IDM), 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.

➤ *Revaluation reserves on 31 December 2021*

On 31 December 2021 revaluation reserves amounted to 801,800 thou. Lei (on 31 December 2020: 872,379 thou. Lei).

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.

➤ *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 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 2020 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	20,55	20,55
Functional system services	-	-
Technological system services	11,96	10,82

➤ Contingencies

On 31 December 2021 contingent liabilities amounted to 25,163 thou. Lei. 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 thou. Lei)*

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, thou. Lei)*

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 (3,524 thou. Lei)*

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 (2,276 thou. Lei)

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 thou. Lei)

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.**

- **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 thou. Lei.

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 thou. Lei.

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 thou. Lei.

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.

28. AFFILIATED PARTIES

i) **Affiliated parties – main economic-financial indicators achieved by Company Subsidiaries on 31.12.2020**

The main economic-financial indicators achieved by Company subsidiaries on 31 December 2020 (last financial year when subsidiaries' financial statements were approved) were as follows:

Indicators	OPCOM	FORMENERG	ICEMENERG SERVICE
Turnover	42.814	1.464	414
Gross profit/loss	9.723	(2.169)	(564)
Subscribed share capital	31.366	1.948	493
Unsubscribed share capital	-	-	-
Reserves	9.539	1.722	13
Total shareholders' equities	37.851	5.935	764

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

On 31 December 2021 and 31 December 2020 the balances of Company-held subsidiaries are detailed as follows:

Entitatea afiliată	Trade receivables		Trade liabilities	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
FORMENERG SA	-	-	-	-
OPCOM SA	634,764	63,087	627,502	55,154
TOTAL	634,764	63,087	627,502	55,154

Transactions made in 2021 and 2020 with its subsidiaries are detailed as follows:

Entitatea afiliată	Sales		Procurements	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
FORMENERG SA	-	-	-	286
OPCOM SA	2,257,962	335,755	1,171,196	359,740
TOTAL	2,257,962	335,755	1,171,196	360,026

In 2021, the Company has cashed dividends from TELETRANS, amounting to 22 thou. Lei.

iii) 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), in accordance with the Concession Contract annual royalty is paid, 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).

iv) Affiliated parties – companies where NPG Transelectrica holds participations

The European power sector is undergoing transformation, emphasis being laid on the transition from the preponderantly national development of the energy sector to an integrated development model coordinated at European level, which shall provide uniform development continent-wide but will also enable tailoring national specificities and targeting the legitimate interests of European states.

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

- TSCNET
- JAO
- SEE RSC

TSCNET (TSCNET Services GmbH)

It has been established with a view to serve the Transmission System Operators (TSO) in the eastern-centralwestern region of Europe (CORE region) for the coordinated implementation of European network codes. The Centre, with the statute of Regional Security Centre - RSC, operates in accordance with the provisions of Regulation (EU) 1485/2017 establishing a guideline regarding operation of the electricity transmission system (SO GL - System Operation Guideline), articles 76 and 77.

Affiliation is achieved by participating to the shareholders of TSCNET by means of share purchase transaction within the company.

SEGA Decision 9 of 05 June 2018 approved the Company's affiliation to the Security Coordination Centre in CORE region, TSCNET by participating to its share capital with a 470,500 Euro contribution (1 share – 2.50 EUR). Thus Transelectrica is one of the 15 shareholders of TSCNET Services GmbH, holding 6.67% participation of the share capital.

Of the 15 shareholders, 14 are represented by affiliated TSO that are Centre members (and beneficiaries of its services), and the 15th shareholder is TSCNET Services GmbH itself.

The main services provided by TSCNET are:

- Elaborating Europe-wide the common grid model for CORE capacity calculation region for the CENTRAL operation region;

- Coordinated calculation of the cross-border exchange capacity in CORE region;
- Coordinated calculation of operational security applying the CSA methodology - Coordinated Security Assessment;
- Assessing the short-term adequacy of CORE region and of CENTRAL operation region;
- Coordinated operational planning of outages within CORE and the CENTRAL operation region.

Complex information platforms (applications) are being developed in order to provide such services, of which the most important is AMICA platform, currently used.

A complex transition process follows in the next years and the centre will change its statute of RSC to that of Regional Coordination Centre (RCC), in accordance with obligations included in Regulation (EU) 943/2019 regarding the internal electricity market.

Such change means considerable growth in the number of services (activities) the centre will develop (at least 13) and exponential development of operational cooperation and coordination with the other regional coordination centres of Europe (CORESO, SELENE-CC, NORDIC, and BALTIC).

JAO (Joint Allocation Office)

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

Transelectrica was invited by JAO to join its shareholders.

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

Participating to JAO's shareholders Transelectrica joined the great family of European TSOs in establishing common governance structures, thus the Company's and the Romanian power system's interests are directly represented in pan-European organisations.

JAO shareholders comprise 22 TSOs.

Besides its main activity of long-term allocation for cross-border capacities, JAO also developed other activities / instruments derived from European regulations, such as: short-term allocation of cross-border capacity, shadow capacity allocation for coupled markets, settlement for coupled markets, documents archiving and project management.

Thus enlarging its activity portfolio JAO got advantage because TSOs can jointly benefit of JAO's IT instruments and knowledge, therefore no more individual development by TSO of such instruments and resources for respective activities, while also providing reduced development and operation costs for such activities/instruments.

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

In accordance with the provisions of European electricity legislation (EU Regulations 2017/1485, 2015/1222 and ACER decisions defining Europe-wide the coordinated calculation regions of inter-zonal exchange capacity), a regional centre was established in south-eastern Europe which coordinates operational security for the operation of electric power systems.

By means of the Romanian - Bulgarian frontier Romania belongs to the coordinated calculation region for cross-border transfer capacities South-East Europe (SEE). In terms of such regional operational security coordination services this region will be served by the newly established entity, which is independent and will be the regional centre coordinating operational security (hereinafter called SEE RSC).

Company affiliation to the shareholders of SEE RSC became effective beginning with 22.05.2020 in accordance with its own by-laws provisionos (articles of association, HAGEA 6/2020 and HD 107/2020), by means of 50 Euro cash subscription, being allocated 50,000 shares.

Together with the transmission system operators for electricity (TSO) of Bulgaria, Greece and Italy, Transelectrica holds 1/4 capital and voting right quota, and the distribution of voting rights being equal for all associated shareholders in this entity.

Operationalisation of the regional centre includes a number of stages on several tiers, beginning with establishing the functional capacity in juridical terms by establishing an independent entity with legal personality and shareholder structure containing the TSOs of the serviced region (stage completed according to the above) and then constituting the functional capacity in operational terms by drawing human resources and developing the IT instruments for centre operations, with a view to carry out the

functions entrusted by specific European legislation (partially completed stage, in progress) and establishing the formal contractual framework to be used for service provisions and their settlement.

On February 25, 2022, the Shareholders' Extraordinary General Assembly approved the Company's exit from the shareholding of the regional Centre Coordinating the Electricity Network of South-Eastern Europe - Selene CC, with full recovery of the Company's invested capital in this company up to the present (50,000 euros).

29. 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:

	31 December 2021	31 December 2020
<u>Employees under CIM in managerial positions</u>		
Short-term benefits	25,181	22,444
Other long-term benefits	246	208
<u>Directorate and Supervisory Board members</u>		
Fixed component	3,975	3,128
Variable component	-	-
Total	29,402	25,780

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 Shareholders' 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.

SOGA 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.

30. NON-CONTROLLING INTERESTS

	31 December 2021	31 December 2020
Opening balance	-	19,748
Loss share during the year	-	(767)
Additional minority interests	-	18,981
Balance of year end	-	-

31. FINANCIAL INSTRUMENTS

Financial risk management

The Group is exposed to the following risks ensuing from financial instruments: market risk (interest rate and hard currency risk), credit and liquidity risks. The Group's overall management is centred on the financial market's unpredictability and it aims at minimising the potential adverse effects over the Group's financial performance. The market risk is that producing changes of market prices, such as currency exchange and interest rate, which will impact Group revenues or the value of financial instruments held.

The Group has no formal commitments to fight financial risks. Nevertheless the management monitor financial risks with emphasis placed on the Group's needs to efficiently compensate opportunities and threats.

This note provides information about the Group's exposure to the above-mentioned risks, about the objectives, policies and processes related to risk assessment and management, as well as about the

Group's capital management.

Interest rate risk

The Group'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 Group has significant long-term loans of variable interest, which can expose the Group to cash risks.

On the balance elaboration date the Group's ratio between financial instruments with fixed interest and those with variable interest is provided further:

	31 December 2021	31 December 2020
Fixed rate instruments		
Financial liabilities	104,327	126,381
Variable rate instruments		
Financial liabilities	2,707	0

The cash flow risk determined by the interest rate is the risk that interest and consequently its expense can fluctuate in time.

Hard currency risk

The Group can be exposed to exchange rate fluctuations by its cash and cash equivalents, non-current loans or trade liabilities expressed in hard currency.

The Group's functional currency is the Romanian Leu. The Group 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 Group's exposure to the hard currency risk, expressed in RON was the following:

31 Decembrie 2021	Amount	RON	EUR	USD
Monetary assets				
Cash and cash equivalents	264,656	258,138	6,490	27
Other financial assets	-	-	-	-
Trade and other receivables	2,985,893	2,592,514	435,010	-
Gross exposure	3,250,549	2,850,652	441,501	27
Monetary liabilities				
Trade and other liabilities	3,061,286	2,400,468	702,449	-
Borrowings	107,034	2,707	104,327	-
Gross exposure	3,168,321	2,403,175	806,776	-
Net balance at reporting date	82,228	447,477	(365,275)	27

31 decembrie 2020	Amount	RON	EUR	USD
Monetary assets				
Cash and cash equivalents	569,847	524,893	44,954	-
Other financial assets	-	-	-	-
Trade and other receivables	854,250	745,951	108,299	-
Gross exposure	1,424,097	1,270,844	153,253	-
Monetary liabilities				
Trade and other liabilities	942,937	734,304	208,633	-
Borrowings	135,245	8,864	126,381	-
Gross exposure	1,078,182	743,164	335,014	-
Net balance at reporting date	345,915	527,720	(181,761)	-

The attached notes are integral part of these consolidated financial statements.

Trade and other receivables, as well as other liabilities, except the asset suppliers are expressed only in RON.

The following exchange rates were applied:

	Average rate		Exchange rate on	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
RON/ EURO	4.9204	4.8371	4.9481	4.8694
RON/ USD	4.1604	4.2440	4.3707	3.9660

Currency risk sensitivity analysis

A 10% appreciation of the Romanian leu against the following foreign currencies on 31 December 2021 and 31 December 2020 would have increased the gross profit by the amounts indicated below. This analysis assumes that all other variables remain constant.

	Profit 31 December 2021	Profit 31 December 2020
EUR	36,528	18,176
USD	3	-
Total	36,530	18,176

A 10% depreciation of the Romanian leu against the following foreign currencies on 31 December 2021 and 31 December 2020 would have had a similar but opposite effect on the above amounts, assuming that all other variables remained constant.

	Loss 31 December 2021	Loss 31 December 2020
EUR	(36,528)	(18,176)
USD	(3)	-
Total	(36,530)	(18,176)

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.

The maximum exposure to the collection risk on the report date was:

NPG TRANSELECTRICA SA
Notes to the consolidated financial statements as at December 31st, 2021
(All amounts are in thousand LEI, unless stated otherwise)

	Net value	Net value
	31 December 2021	31 December 2020
Financial assets		
Net trade receivables	2,035,239	717,494
Cash and cash equivalents	264,656	569,847
Net other receivables	828,116	103,629
VAT to recover	122,538	34,349
Other financial assets	-	-
Total	3,250,548	1,425,319

The age of **receivables** on the elaboration date of the financial position statement was:

	Gross value 31 december 2021	Adjustment of depreciation 31 december 2021	Gross value 31 december 2020	Adjustment of depreciation 31 december 2020
Not reached to maturity	1,917,696	43	633,610	367
Due date exceeded 1 – 30 days	22,662	-	351	10
Due date exceeded 31 – 90 days	(322)	-	881	0
Due date exceeded 90 – 180 days	13,124	12,541	34	3
Due date exceeded 180 – 270 days	103	23	161	17
Due date exceeded 270 – 365 days	643	85	95	9
More than a year	231,891	137,867	221,333	138,564
Total	2,185,798	150,558	856,465	138,971

The age of **other receivables** on the elaboration date of the financial position statement was:

	Gross value 31 december 2021	Adjustment of depreciation 31 december 2021	Gross value 31 december 2020	Adjustment of depreciation 31 december 2020
Not reached to maturity	917,479	8,469	96,945	28
Due date exceeded 1 – 30 days	208	-	4,076	275
Due date exceeded 31 – 90 days	11,542	2,108	6,156	24
Due date exceeded 90 – 180 days	1,777	484	1,383	249
Due date exceeded 180 – 270 days	1,205	482	4,924	3,136
Due date exceeded 270 – 365 days	3,864	970	715	641
More than a year	85,566	58,474	83,798	55,666
Total	1,021,641	70,987	197,997	60,019

The Group'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 thou. Lei), Eco Energy SRL (24,736 thou. Lei), Petprod SRL (23,540 thou. Lei), Arelco Power (14,788 thou. Lei), Total Electric Oltenia SA (14,186 thou. Lei), Romenergy Industry (13,513 thou. Lei), Romelectro SA (12,956 thou. Lei), GETICA 95 (12,541 thou. Lei), Elsaco Energy (9,276 thou. Lei), and RAAN (8,517 thou. Lei).

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.

The development of **impairments allowances for clients** was the following:

	31 December 2021	31 December 2020
Opening balance 1 january	138,494	139,282
Recognition of adjustments for impairment	16,673	713
Reversal of adjustments for impairment	4,609	1,501
Balance on the end of period	150,558	138,494

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

The development of **impairment allowances for other receivables** was the following:

	31 December 2021	31 December 2020
Opening balance 1 january	60,019	55,610
Recognition of adjustments for impairment	15,335	3,538
Reversal of adjustments for impairment	4,367	740
Balance on the end of period	70,987	60,019

Liquidity risk

This is the risk according to which the Group 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.

	31 December 2021	31 December 2020
Assets		
Monetary assets in RON	2,850,652	1,248,687
Monetary assets in foreign currency	441,527	153,253
	3,292,180	1,401,940
Debts		
Monetary liabilities in RON	(2,403,175)	(514,383)
Monetary liabilities in foreign currency	(806,776)	181,761
	(3,209,952)	(332,622)
Net monetary position in RON	447,477	734,304
Net monetary position in foreign currency	(365,249)	335,015

The following table provides the contractual due date of financial liabilities, including interest payment:

	Net value	Contractual value	<12 months	1–2 years	2–5 years	>5 years
31 December 2021						
Financial liabilities						
Trade and other liabilities	3,040,759	3,082,400	2,993,292	82,893	6,205	-
Other tax and social security liabilities	20,527	20,527	20,527	-	-	-
Borrowings	107,034	107,034	27,579	47,719	30,309	1,427
Total	3,168,321	3,209,962	3,041,399	130,611	36,514	1,427
31 December 2020						
Financial liabilities						
Trade and other liabilities	(916,810)	(916,810)	(821,775)	(64,503)	(30,532)	-
Other tax and social security liabilities	(25,052)	(25,052)	(25,052)	-	-	-
Borrowings	(127,828)	(127,828)	(26,157)	(23,480)	(70,440)	(7,752)
Total	(1,069,690)	(1,069,690)	(872,984)	(87,983)	(100,972)	(7,752)

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

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

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.

31 December 2021	Book value	Fair value
Financial Assets		
Net trade receivables	2,035,239	2,035,239
Cash and cash equivalents	264,656	264,656
Other net receivables	828,116	828,116
VAT to be recovered	122,538	122,538
Other financial assets	0	0
Total	3,250,548	3,250,548
Non-current financial liabilities		
Borrowings, except for bonds	79,455	79,455
Bonds	0	0
Total	79,455	79,455
Current financial liabilities		
Providers, including asset providers	3,040,759	3,040,759
Borrowings	27,579	27,579
Bonds	0	0
Amounts due to employees and other liabilities	34,212	34,212
Total	3,102,550	3,102,550
31 December 2020	Book value	Fair value
Financial Assets		
Net trade receivables	855,472	855,472
Cash and cash equivalents	569,847	569,847
Other net receivables	13,291	13,291
VAT to be recovered	34,349	34,349
Other financial assets	-	-
Total	1,472,959	1,472,959
Non-current financial liabilities		
Borrowings, except for bonds	165,777	165,777
Bonds	0	0
Total	165,777	165,777
Current financial liabilities		
Providers, including asset providers	886,268	886,268
Borrowings	33,574	33,574
Bonds	-	-
Amounts due to employees and other liabilities	25,052	25,052
Total	944,894	944,894

Categories of financial instruments

	31 December 2021	30 December 2020
Financial Assets		
Cash and cash equivalents	264,656	569,847
Trade and other receivables	2,985,893	855,473
Financial liabilities		
Depreciated cost	3,168,321	(1,069,318)

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 Group'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

	31 December 2021	30 December 2020
Current and long-term borrowings	107,034	126,381
Cash and cash equivalents	(264,656)	554,004
Other financial assets	0	0
	(157,621)	(427,622)
Total equity	3,384,861	3,425,012
Indebtedness indicator	-	-

32. 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;
 - 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 92³ of Law 24/2017 on the issuers of financial instruments and market operations and submission to the Company of reports mentioned in article 92³, 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.

33. 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: SF6, 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.

34. 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).

- ***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 457,713 Lei.

- ***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 21,341 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 21,341 Lei by means of the regulated tariff of system services in the following tariff interval.

- **EIB Agreement for consulting services**

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

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

- **Decision 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:

- 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).

The provided consolidated financial statements were signed by Company management on 17 March 2022.

Directorate,

**Gabriel
ANDRONACHE**

Directorate
Chairman

**Ștefăniță
MUNTEANU**

Directorate
Member

**Cătălin-Constantin
NADOLU**

Directorate
Member

**Marius-Viorel
STANCIU**

Directorate
Member

**Florin-Cristian
TĂTARU**

Directorate
Member

Ana-Iuliana DINU
Director Economic & Financial
Administrative Unit

Cristiana Zîrnovan
Manager, Bugeting & Managerial Report
Department