

CNTEE Transelectrica SA
Company managed by two-tier system

Stand-alone Interim Simplified Financial Statements
as of and for the nine months' period ended on
30 September 2022

Elaborated in accordance with
International Accounting Standard 34 - "Interim Financial Reporting"

CNTEE Transelectrica SA

Stand-alone simplified statement of financial position on 30 September 2022

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

	Note	30 September 2022	31 December 2021
Assets			
Non-current assets			
Tangible assets		3,889,845,121	3,814,698,495
Assets related to the usage rights of assets under leasing - buildings		23,856,718	29,820,897
Intangible assets		9,101,510	7,105,259
Intangible assets - Additional CPT		279,236,607	-
Financial assets		86,000,088	81,742,973
Total non-current assets	4	4,288,040,044	3,933,367,624
Current assets			
Inventories		40,695,955	39,939,697
Trade and other receivables	5	3,650,123,682	2,995,581,608
Receivable income tax		-	21,213,984
Other financial assets		-	-
Cash and cash equivalents	6	381,877,064	252,225,142
Total current assets		4,072,696,701	3,308,960,431
Total assets		8,360,736,745	7,242,328,055
Shareholders' equities and liabilities			
Shareholders' equities			
Share capital, of which:		733,031,420	733,031,420
- Subscribed share capital		733,031,420	733,031,420
Share premium		49,842,552	49,842,552
Legal reserves		137,926,619	137,926,619
Revaluation reserves		719,363,792	769,348,928
Other reserves		39,310,392	31,145,250
Retained earnings		2,101,987,057	1,633,807,204
Total shareholders' equities	7	3,781,461,832	3,355,101,973
Non-current liabilities			
Non-current deferred revenues	8	440,303,793	443,434,048
Borrowings	9	61,580,506	79,455,068
Other loans and similar liabilities - Building leasing - long term	10	16,846,566	22,751,934
Deferred tax liabilities		111,503,686	117,343,340
Employee benefit obligations		59,960,381	59,960,381
Total non-current liabilities		690,194,932	722,944,771
Current liabilities			
Trade and other liabilities	10	3,639,385,551	3,033,542,108
Other loans and similar liabilities - Building leasing - short term	10	8,423,283	8,273,431
Other taxes and social security liabilities	11	10,325,046	14,323,661
Borrowings	9	100,608,605	24,871,963
Provisions	10	37,902,520	51,688,960
Current deferred revenues	8	33,930,491	31,581,188
Payable income tax		58,504,485	-
Total current liabilities		3,889,079,981	3,164,281,311
Total liabilities		4,579,274,913	3,887,226,082
Total shareholders' equities and liabilities		8,360,736,745	7,242,328,055

Note: On 30.09.2022, the amount of 4,254,800 lei was reclassified from the item "Trade and other receivables" to the item "Financial assets",

CNTEE Transelectrica SA

Stand-alone profit and loss account for the nine months' period ending on 30 September 2022

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

	Note	01 July - 30 September 2022	01 July - 30 September 2021	01 January - 30 September 2022	01 January - 30 September 2021
Revenues					
Transmission revenues		583,355,898	297,843,847	1,415,905,429	910,311,281
System service revenues		127,509,184	157,685,444	379,228,945	479,037,932
Revenues from the balancing market		1,279,597,001	394,230,699	2,774,427,999	863,096,725
Other revenues		10,324,960	10,282,013	35,349,844	29,350,661
Revenues from CPT capitalisation		279,236,607	-	279,236,607	-
Total revenues	13	2,280,023,650	860,042,003	4,884,148,824	2,281,796,599
Operational expenses					
System operation expenses	14	(215,449,493)	(123,175,399)	(681,485,560)	(325,320,603)
Balancing market expenses	14	(1,279,728,347)	(394,566,807)	(2,774,593,938)	(850,692,688)
Expenses regarding technological system services	14	(108,099,635)	(156,502,406)	(338,920,113)	(447,964,440)
Amortisement		(65,019,997)	(65,960,995)	(193,140,247)	(196,132,897)
Personnel expenses	15	(72,308,699)	(65,462,466)	(204,258,587)	(178,447,852)
Repairs and maintenance		(37,269,749)	(28,227,271)	(78,279,341)	(65,134,608)
Materials and consumables		(3,704,764)	(2,654,732)	(9,731,667)	(5,800,089)
Other operational expenses	16	(37,911,527)	(46,910,331)	(107,307,282)	(112,605,568)
Total operational expenses		(1,819,492,211)	(883,460,407)	(4,387,716,735)	(2,182,098,745)
Operational income		460,531,439	(23,418,404)	496,432,089	99,697,854
Financial revenues		38,271,833	2,207,206	44,828,253	5,697,270
Financial expenses		(36,658,104)	(3,209,842)	(45,930,972)	(8,550,656)
Net financial result	17	1,613,729	(1,002,636)	(1,102,719)	(2,853,386)
Profit before income tax		462,145,168	(24,421,040)	495,329,370	96,844,468
Income tax	12	(72,014,353)	(851,219)	(77,134,653)	(16,043,342)
Profit of the time interval		390,130,815	(23,569,821)	418,194,717	80,801,126

The attached notes 1 to 21 constitute integrant part of these stand-alone interim simplified financial statements.

CNTEE Transelectrica SA

Stand-alone profit and loss account for the nine months' period ending on 30 September 2022

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

	Note	01 July - 30 September 2022	01 July - 30 September 2021	01 January - 30 September 2022	01 January - 30 September 2021
Profit of the time interval		390,130,815	(23,569,821)	418,194,717	80,801,126
Other comprehensive items		-	-	-	-
Comprehensive result		390,130,815	(23,569,821)	418,194,717	80,801,126

The submitted stand-alone interim simplified financial statements were signed by the Company's governing team on **04 November 2022**,

DIRECTORATE,

Chairman	Member	Member	Member	Member
Gabriel ANDRONACHE	Florin-Cristian TĂTARU	Ștefăniță MUNTEANU	Cătălin-Constantin NADOLU	Bogdan TONCESCU

Economic-Financial and Administrative Unit Manager
Ana-Iuliana DINU

Accounting Department Manager
Georgiana-Beatrice ȘTEFAN

The attached notes 1 to 21 constitute integrant part of these stand-alone interim simplified financial statements.

CNTEE Transelectrica SA

Stand-alone statement of changes into shareholders' equities on 30 September 2022

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

	Share capital	Share premium	Legal reserves	Revaluation reserve	Other reserves	Retained earnings	Total
Balance on 1 January 2021	733,031,420	49,842,552	137,832,724	841,699,025	17,441,687	1,615,652,289	3,395,499,697
Comprehensive result of the period							
Profit of the time interval	-	-	-	-	-	449,891	449,891
Other comprehensive result items, of which :							
Recognition of actuarial gains of the defined benefit plan	-	-	-	-	-	9,222,556	9,222,556
Surplus from revaluation of tangible assets				-		-	-
Deferred tax liability ass, to revaluation reserve				-		-	-
Transfer of revaluation reserves into retained earnings				(72,350,097)	-	72,350,097	-
Total other comprehensive result items	-	-	-	(72,350,097)	-	81,572,653	9,222,556
Total comprehensive result of the period	-	-	-	(72,350,097)	-	82,022,544	9,672,447
Other items							
Legal reserve indexation	-	-	93,895	-	-	(93,895)	-
Other items - decrease in reserve to increase capital				-	(599,411)	-	(599,411)
Total other items	-	-	93,895	-	(599,411)	(93,895)	(599,411)
Contributions from and distributions to shareholders							
Derecognition of assets such as public domain	-	-	-	-	-	-	-
Subsidies related to assets from the state public domain	-	-	-	-	14,302,974	-	14,302,974
Dividends distribution	-	-	-	-	-	(63,773,734)	(63,773,734)
Total contributions from and distributions to shareholders	-	-	-	-	14,302,974	(63,773,734)	(49,470,760)
Balance on 31 December 2021	733,031,420	49,842,552	137,926,619	769,348,928	31,145,250	1,633,807,204	3,355,101,973
Balance on 1 January 2022	733,031,420	49,842,552	137,926,619	769,348,928	31,145,250	1,633,807,204	3,355,101,973
Comprehensive result of the period							
Profit of the time interval	-	-	-	-	-	418,194,717	418,194,717
Other comprehensive result items, of which	-	-	-	-	-	-	-
Recognition of actuarial profit / loss of the defined benefit plan	-	-	-	-	-	-	-
Surplus from revaluation of tangible assets	-	-	-	-	-	-	-
Deferred tax liability ass, to revaluation reserve	-	-	-	-	-	-	-
Transfer of revaluation reserves into retained earnings				(49,985,136)		49,985,136	-
Total other comprehensive result items	-	-	-	(49,985,136)	-	49,985,136	-
Total comprehensive result of the interval	-	-	-	(49,985,136)	-	468,179,843	418,194,707
Other items							
Legal reserve indexation	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-
Total other items	-	-	-	-	-	-	-
Contributions from & distribution to shareholders							
Derecognition of assets such as public domain	-	-	-	-	-	-	-
Subsidies related to assets from the state public domain	-	-	-	-	8,165,142	-	8,165,142
Dividends distribution	-	-	-	-	-	-	-
Total contributions from and distributions to shareholders	-	-	-	-	8,165,142	-	8,165,142
Balance on 30 September 2022	733,031,420	49,842,552	137,926,619	719,363,792	39,310,392	2,101,987,057	3,781,461,832

The attached notes 1 to 21 constitute integrant part of these stand-alone interim simplified financial statements.

CNTEE Transelectrica SA

Stand-alone cash flow statement on 30 September 2022

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

	9 months' period ended 30.09.2022	9 months' period ended 30.09.2021
Cash flows from operational activities		
Profit of the time interval	418,194,717	80,801,126
Allowances for:		
Income tax expense	77,134,653	16,043,341
Amortisement expense	193,140,247	196,132,897
Income from the production of intangible assets - Additional CPT	(279,236,607)	-
Allowance expense to impair trade receivables	1,465,363	14,353,966
Reversal of impairment allowances for trade receivables	(1,354,269)	(2,382,967)
Losses from receivables and sundry debtors	-	35,619
Net expense/income to impair sundry debtors	10,184,468	2,234,733
Net expense of allowances to impair inventories	49,938	1,287,505
Net profit/loss on sale of property, plant and equipment	54,383	427,378
Net expenses for value allowances regarding tangible assets	-	299,462
Net income on provisions for risks and charges	(13,775,211)	(21,580,174)
Net revenues regarding provisions for risks and expenses	2,753,174	3,192,679
Cash flows before changes into current capital	408,610,856	290,845,565
Changes into:		
Clients and assimilated accounts - electricity and other activities	(819,787,388)	(285,213,596)
Clients – balancing	117,807,773	(4,733,205)
Clients - cogeneration	37,092,462	19,093,448
Inventories	(756,258)	(2,819,517)
Trade and other liabilities - electricity and other activities	820,402,265	311,422,716
Liabilities – balancing	(30,246,170)	(17,793,579)
Liabilities - cogeneration	(160,595,655)	(85,684,328)
Liabilities paid acc. to ANAF's taxation decision	-	(2,140,264)
Other loans and assimilated liabilities – building leasing	-	(6,574,230)
Other tax and social security liabilities	(3,998,615)	(7,548,486)
Deferred revenues	(1,299,566)	13,641,742
Cash flows from operational activities	367,229,704	222,496,266
Interest paid	(5,548,324)	(3,260,592)
Income tax paid	-	(22,267,033)
Net cash generated from operational activities	361,681,380	196,968,641
Cash flows from investments		
Procurements of tangible and intangible assets	(294,175,276)	(358,028,581)
Proceeds from EC non-reimbursable financing	8,683,756	93,150,539
Cashed interest	1,942,368	2,052,489
Cashed dividends	1,534,971	23,352
Proceeds from the sale of tangible assets	156	-
Net cash used in investments	(282,014,025)	(262,802,201)
Cash flows used in financing		
Repayments of non-current borrowings	(17,778,385)	(17,753,391)
Utilisation of cogeneration credit line	-	-
Utilisation of working capital credit line	75,776,569	-
Building leasing payments	(7,933,825)	(7,877,401)
Dividends paid	(79,792)	(63,598,418)
Net cash used in financing	49,984,567	(89,229,210)
Net growth of cash and cash equivalents	129,651,922	(155,062,770)
Cash and cash equivalents on 1 January	252,225,142	554,003,528
Cash and cash equivalents at the end of the period	381,877,064	398,940,758

Note: On 30.09.2022 the change in the building lease liability was reclassified from "Other borrowings and similar liabilities - Building leasing" to "Trade and other liabilities - Energy and other activities",

CNTEE Transelectrica SA

Notes to the stand-alone interim simplified statements on 30 September 2022

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

1. General information

The main activity of CNTEE Transelectrica SA ("the Company") consists in: providing electricity transmission and system service, balancing market operator, administrator of the bonus type support scheme and other related activities. These activities are carried out in accordance with the provisions of the Operational Licence no. 161/2000 issued by ANRE, updated by ANRE Decision no. 687/04.05.2022, with the licence-associated General Conditions approved by ANRE Order no. 104/2014, as amended and supplemented, and with the Company's final certification as transmission & system operator of the National Power System in accordance with the ownership unbundling model by ANRE Order no. 164/07.12.2015.

For the time being, part performs activities in the working location of 2-4 Olteni Street, sector 3, Bucharest, business point which coincides with the headquarters.

The stand-alone interim financial statements elaborated on 30 September 2022 have not been audited.

2. Bases of elaboration

a) Statement of conformity

These stand-alone interim simplified financial statements have been elaborated in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information necessary for a complete set of financial statements in accordance with the International Financial Reporting Standards ("IFRS"). Nevertheless, certain explanatory notes have been included to explain events and transactions significant for understanding the changes occurred in the Company's financial position and performance since the last annual stand-alone financial statements as of the date and for the financial period ended on 31 December 2021.

b) Professional reasoning and estimations

The significant reasoning that the governance team have used in applying the Company's accounting policies and the main uncertainty sources regarding estimations were the same with those applied to the stand-alone financial statements for the financial period ended on December 31, 2021.

3. Significant accounting policies

The accounting policies applied to these stand-alone interim simplified financial statements are the same with those applied to the Company's stand-alone statements elaborated for the financial period ended on December 31, 2021.

4. Tangible, intangible and financial assets

a) Tangible assets

The growth in the total value of tangible assets on 30 September 2022 compared to December 31, 2021 was determined by high values of tangible assets in progress concurrent with the recording of tangible assets amortishment,

In the first nine months of 2022, tangible assets in progress are mainly represented by the determined by investment works performed into high voltage electric substations and lines, as follows:

- LEA 400 kV d,c, Gutinaş - Smârdan - 59,310,437;
- Refurbishing the 220/110/20 kV Ungheni Station - 19,815,030;
- Refurbishing the 220/110 kV Iaz station - 19,177,903;



CNTEE Transelectrica SA

Notes to the stand-alone interim simplified statements on 30 September 2022

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

- Converting the Iron Gates - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - Phase I the 400 kV simple circuit OHL Iron Gates - (Anina) - Resita - 15,213,533;
- Refurbishing the 400/110/20 kV Smârdan Station - 14,289,819;
- LEA 400 kV d,c, Cernavodă - Stâlpu and connection in Gura Ialomiței - 14,187,758;
- Refurbishing the 220/110/20 kV Baru Mare Station - 14,160,669;
- Upgrading the 400 (220)/110/20 kV Munteni Station - 13,254,897;
- Upgrading the 220/110/20 kV Arefu Station - 12,767,671;
- Installing the AT2 400 MVA, 400/231/22 kV as well as related cubicles in Iernut Station and upgrading the 400/220/110/6 kV control system of Iernut Station - 11,356,767;
- Replacing the HV and transformer in electrical stations - Stage 2, Phase 2 - LOT 1 - LOT 2 - 11,037,171;
- Converting the Iron Gates - Resita - Timisoara - Sacalaz - Arad axis to 400 kV - Stage I - 400/220/110 kV Resita Station - 9,757,082;
- Relocating the 220 kV and 400 kV electric networks at the crossroad with the Belting Motorway Bucharest - 8,525,311;
- Upgrading the 220/110 kV Dumbrava Station - 6,956,459;
- Extending the 400 kV Gura Ialomiței Station with two cells: LEA 400 kV Cernavodă 2 and 3 - 5,703,924;
- Site clearance and coexistence conditions fulfilment between the CNAIR SA's suspended bridge over the Danube in the Braila area and the electric networks managed by CNTEE Transelectrica SA - 4,911,246;
- Upgrading the power supply at UNO-DEN offices - 4,521,645;
- Connecting the 400 kV Isaccea - Varna and Isaccea - Dobrudja LEA to 400 kV Medgidia South Station - 4,193,691;
- Purchasing and installing the 21 monitoring systems for transformer units in CNTEE Transelectrica SA stations - 3,596,498;
- 400 kV Stâlpu station - 3,157,055;
- 400 kV Gădălin - Suceava LEA, including interconnection to SEN - 2,359,350;
- Refurbishing the 220/110 kV Filești Station - 2,246,055;
- Replacement of hardware components, update and development of specific applications of the Balancing Market Platform - II DAMAS, Component Purchase of migration services and upgrade of specific applications of the Balancing Market - 1,905,212;
- Refurbishing the 220/110 kV Hășdat Station - 1,293,164;
- Centre for research and development of live working technologies (LST) and rapid intervention in SEN - phase II - 1,142,938;
- Metering and data management system for electricity metering on the wholesale market - 1,098,269;
- Pilot Project - Refurbishing the 220/110/20 kV Alba-Iulia substation in the concept of a digital substation - 1,053,303.

In the period January-September 2022, the largest **transfers from tangible assets in progress to tangible assets**, amounting to **240,409,129**, are mainly represented by commissioning investment objectives, of which the most significant are provided below:

- Connecting the Isaccea-Varna 400 kV LEA and Isaccea-Dobrudja 400 kV LEA in Medgidia South 400 kV Station, Phase I - Extension of Medgidia South 400 kV Station - 58,635,080;
- Refurbishing the 220/110 kV Hășdat Station - 54,284,638;
- Upgrading the 220/110/20 kV Răureni Station - 25,428,593;
- Installing the AT2 400 MVA, 400/231/22 kV and related cubicles in Iernut Station and upgrading the 400/220/110/6 kV control system of Iernut Station - 19,852,781;
- Replacing the HV and transformer in electric stations - Stage 2, phase 2 - LOT 1 - LOT 2 - 10,056,715;



CNTEE Transelectrica SA

Notes to the stand-alone interim simplified statements on 30 September 2022

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

- Upgrading the power supply at UNO-DEN offices - 8,983,074;
- Relocating the 220 kV and 400 kV electric networks at the crossroad with the Belting Motorway Bucharest - 8,525,311;
- Upgrading the 110 kV and 400 (220) kV installations in Focșani West Station - 8,336,456;
- Upgrading the 220/110 kV Dumbrava Station - 8,140,058;
- Upgrading the 110 kV Bacău Sud and Roman Nord stations on the 400 kV Moldova axis - 6,904,234;
- Upgrading the 220/110/20 kV Vetis Station - primary equipment - 6,660,292;
- Consolidating the servers and data storage network (private cloud) - 4,665,317;
- Upgrading in view of diminishing galloping effects on the 400 kV OHL in Baragan - Fetesti region; diminishing the galloping effects on the 400 kV OHL Bucharest South - Gura Ialomitei & the 400 kV OHL Cernavoda - Gura Ialomitei (circuit 2) - 3,745,749;
- Relocating the high voltage networks LEA 220 kV d.c, Lotru - Sibiu South, Lot 1 km 0+000 - km 13+170 - 3,280,087;
- Installing the AT2 400 MVA, 400/231/22 kV as well as related cubicles in Iernut Station and upgrading the 400/220/110/6 kV control command system of Iernut Station - 3,080,691;
- 110 kV, 220 kV and 400 kV mobile switchgear - 3,064,062;
- Refurbishing the 220/110 kV Craiova Nord Station - 1,080,263;
- Designing and executing the Craiova - Pitesti Express Road Section 1- 986,932;
- Acumulator batteries in 400/220/110/20 kV Suceava Station, 400/110 kV Roman Nord Station and 220/110/20 kV Focșani Vest Station - 792,370;
- Refurbishing the 220/110 kV Turnu-Severin East Station - 762,311;
- 400 kV Bradu - Brasov LEA regulation with road inside the protection and safety area of 400 kV Bradu -Brasov LEA, opening between poles no, 393, no, 394 and no, 395 - 550,569;
- Sebeș-Turda Motorway, Lot 1-km0+000-Km17+100 Section A-0+300km - 14+000: Section 2, km 2+400-2+600 - 545,795;
- Replacing the 220VDC acumulator batteries no.1 and no.2 220VDC in the 400/220/110 kV Sibiu South Station - 330,377;
- Hydrocarbon (oil) separators for concrete platforms in Isaccea Station (SF) - 372,125;
- Connecting the RED 110 kV Ploiesti Parc Station to the grid with the works in the line cell of the 110 kV Brazi Vest-Ploiesti Nord substation of the 400/220/110/20 kV Brazi Vest substation - 330,377;
- Connecting the RET for the works in the 220/110 kV Săcălaz Electricity Station, following the connection of the new 110/20 kV Covaci 2x25 MVA Electric Station in the 110 kV Săcălaz - Orțișoara LEA - 320,828;
- Increasing the capacity of the ground leakage coil for the neutral treatment of the medium voltage network - 201,925;
- Compensation coils 100 MVAR, 400 kV for the 400 kV stations of Arad, Bucharest and Bradu - 169,980;
- DRONE - 9 pieces - 166,182;
- Surveying and computing equipment (hardware and software): GNSS system and accessories; Total station and accessories; Graphic station; Laptop; Toposys topo-geodetic software; Topo LT application package; Global Mapper software - 127,250;
- Equipping the TEL data centres with necessary equipment - Professional air conditioning and industrial air dehumidification units - 117,000,

The balance of **tangible assets under execution** on 30 September 2022, amounting to **920,745,017**, is represented by projects in progress, of which the most significant are:

- LEA 400 kV d.c. Cernavodă - Stâlpuri and connection in Gura Ialomiței - 308,776,895;



CNTEE Transelectrica SA

Notes to the stand-alone interim simplified statements on 30 September 2022

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

- Converting the Iron Gates - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, Phase I - the 400 kV simple circuit OHL Iron Gates - (Anina) - Resita - 107,912,637;
- LEA 400 kV d.c. Gutinaş - Smârdan - 66,952,720;
- Connecting to RET the 300 MW WPP Ivesti, the 88 MW WPP Falcu 1 and the 18 MW WPP Falcu 2 by the new (400)/220/110 kV substation Banca - 46,884,984;
- Upgrading the 400 (220)/110/20 kV Munteni Station - 44,891,478;
- Refurbishing the 220/110 kV Iaz station - 35,256,463;
- Upgrading the 220/110/20 kV Arefu Station - 28,981,083;
- Refurbishing the 400/110/20 kV Smârdan Station - 27,295,105;
- Refurbishing the 220/110/20 kV Ungheni Station - 26,834,407;
- Refurbishing the 220/110/20 kV Baru Mare Station - 20,602,268;
- Switching to 400 kV voltage of the Iron Gates - Resita - Timisoara - Sacălaz - Arad axis - Phase I - 400/220/110 kV Resita Station - 19,043,563;
- Extension of 400 kV Gura Ialomiței Station with two cells: LEA 400 kV Cernavodă 2 and 3 - 18,493,571;
- Upgrading the 220/110 kV Dumbrava Station - 17,429,560;
- Refurbishing the 110 kV Medgidia South Station - 13,736,003;
- Extending the 400 kV Cernavodă Station - Phase I+II, Replacement of 2 compensation coils, Connection of new lines - 12,184,350;
- 110 kV, 220 kV and 400 kV switchgear - 11,280,763;
- Refurbishing the 110 kV Timisoara Station and the transition to 400 kV voltage of the Iron Gates - Anina - Resita - Timisoara - Sacalaz - Arad axis, Phase II: 400 kV Timisoara Station - 8,900,950;
- 400 kV Gădălin - Suceava LEA, including interconnection to SEN - 8,402,532;
- Purchase and installation of 21 monitoring systems for transformer units in CNTEE Transelectrica SA stations - 6,367,718;
- HVDC Link 400 kV (Romania - Turkey submarine cable) - 5,849,310;
- 400 kV Stâlpu station - 5,421,012;
- Replacing the HV and transformer in electric stations - Stage 2, phase 2 - LOT 1 - LOT 2 - 5,338,576;
- Site clearance and coexistence conditions between the CNAIR SA's suspended bridge over the Danube in the Braila area and the electric networks managed by CNTEE Transelectrica SA - 4,911,246;
- Integrated security system at power stations, phase IV - 4,816,604;
- Upgrading the 110 kV and 400 (220 kV) installations in Focșani West Station - 4,510,334;
- 400 kV Suceava - Balti line, for the project portion on Romanian territory - 4,439,120;
- 400 kV interconnection line Reșița (Romania) - Pancevo (Serbia) - 4,199,505;
- Refurbishing the 220/110 kV Filești Station - 4,085,941;
- Switching to 400 kV voltage of the Iron Gates - Resita - Timisoara - Sacălaz - Arad axis, phase II, 400 kV d.c. Resita - Timisoara - Sacălaz - 3,380,480;
- Extension with new functionalities of the computerized access control and record-keeping system for CNTEE Transelectrica SA objectives - 3,200,918;
- Connecting to the national grid of WPP 136 MW Platonești, jud, Ialomița, by building a 110 kV cell in the 400/110 kV Gura Ialomiței power station - 2,889,337;
- Integrated Power Station Security System, Phase III - 2,802,472;



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- Replacing the hardware components, updating and developing specific applications of the Balancing Market Platform - II DAMAS, Component Purchase of migration services and upgrade of specific applications of the Balancing Market - 2,626,762;
- Pilot Project – Refurbishing the 220/110/20 kV Alba Iulia substation in the concept of a digital substation - 2,604,281;
- 110 kV Cetate 1 and 2 LEA diversion in the vicinity of 110/20/6 kV Ostrovul Mare Station - 2,578,438;
- Connecting the RET of WPP Dumești 99 MW and WPP Românești 30 MW, Iasi county, by building a 110 kV line cell in the 220/110 kV FAI - 2,545,853 power station;
- Installing the AT2 400 MVA, 400/231/22 kV and related cubicles in Iernut Station and upgrading the 400/220/110/6 kV control system of Iernut Station - 1,990,220;
- Carrying out the fiber optic communication between Pitești Sud Station and the remote control and supervision center of UTT Pitești (SF) - 1,806,259;
- LEA 220 kV double circuit Ostrovu Mare - RET - 1,613,284;
- Centre for research and development of live working technologies (LST) and rapid intervention in SEN - phase II - 1,533,905;
- Metering and data management system for electricity metering on the wholesale market - 1,282,514;
- Connecting the 400 kV Isaccea - Varna and 400 kV Isaccea - Dobrudja LEA to 400 kV Medgidia South Station, Phase I - Extension of 400 kV Medgidia South Station - 1,277,989;
- Integrated security system at the new (400) 220/110 kV Bank Power Station - 1,133,202;
- Provisional works for the 220 kV Lacu Sărat-Filești LEA, to ensure the conditions for the execution of the relocation of utilities, by clearing the site and achieving coexistence conditions between the suspension bridge over the Danube in the Braila area - 1,040,787.

b) Intangible assets

On 30 September 2022, the balance of intangible assets is consisting of:

- the net value of intangible assets established up to this date, and
- the balance of **intangible assets in progress**, amounting to **6,020,341**. This is represented by projects in progress, of which the most significant are provided below:

- Implementing a new Electronic Archive and Document Management system into CNTEE Transelectrica SA - 5,474,290;
- GE License - Software module for capacity calculations based on energy flows - 247,400;
- MARI platform development - 298,651.

c) Intangible assets - Additional CPT

Starting from 30 September 2022, the Company shall apply the provisions of *GEO no, 119/2022 amending and supplementing GEO no, 27/2022 on measures applicable to end customers in the electricity and natural gas market for the period between 1 April 2022 and 31 March 2023, as well as supplementing certain regulatory acts in the field of energy*, whereby the additional costs with the electricity purchase made in the period between 1 January 2022 - 31 August 2023, in order to cover its own technological consumption and technological consumption, respectively, compared to the costs included in the regulated tariffs, shall be capitalised on a quarterly basis.

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



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Thus, as of 30 September 2022, the Company has capitalized the amount of 279,236,607 in additional CPT calculated as the difference between the net cost of CPT acquisition and the cost of CPT included in the regulatory tariff for the period 1 January to 30 September 2022.

d) Financial assets

The increase in the balance of financial assets at 30 September 2022 compared to 31 December 2021 is determined by:

- the reclassification of the amount of 4,254,115, mainly represented by guarantees for temporary occupancy of the land, calculated and withheld in accordance with Article 39(2) of the Financial Regulation, (1), par, (2) and par, (5) of Law No 46/2008 on the Forestry Code, in order to carry out the investment objective of the 400 kV Reșița - Pancevo (Serbia) power line.

In addition to the reclassification of 4,254,115, financial assets also include the net value of shares held by the Company amounting to 81,745,973 on 30 September 2022 compared to 81,742,973 on 31 December 2021.

- the increase in value by the amount of 3,000 represents the registration of the Company's shares held at the Bursa Română de Mărfuri SA (BRM), as a result of the repurchase of own shares of the Bursa Română de Mărfuri SA
- and their redistribution to the shareholders, according to the shareholding in the share capital.

e) Assets related to the utilisation rights of assets under leasing - buildings

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

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

On 30 September 2022, the accounting value of the utilisation right for spaces the Company leased in the Platinum Office Building amounted to 23,856,718 lei.

Under this contract the Company pays a monthly quantum of 16.67 euro/sqm (excluding VAT) for the rental of office space, resulting in an annual amount of approx, 1,8 million Euros.

5. Trade and other receivables

On 30 September 2022 and 31 December 2021, trade and other receivables were as follows:

	30 September 2022	31 December 2021
Trade receivables	2,567,882,694	2,194,153,312
Other receivables	164,366,969	189,968,790
Down payments to suppliers	823,366,857	701,351,443
Receivable VAT	316,853,779	122,134,375
Impairment allowances for doubtful receivables	(145,252,705)	(145,107,946)
Impairment allowances for other doubtful receivables	(77,093,912)	(66,918,366)
Total trade and other receivables	3,650,123,682	2,995,581,608



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The structure of trade receivables is the following:

	30 September 2022	31 December 2021
Clients on the electricity market, of which:	2,566,359,287	2,182,908,347
- Clients - operational activity	1,946,730,050	1,408,378,875
- Clients - balancing market	448,919,071	566,726,844
- Clients - bonus type support scheme to promote high efficiency cogeneration	170,710,166	207,802,628
Clients from other activities	1,523,407	11,244,965
Total trade receivables	2,567,882,694	2,194,153,312

• CNTEE Transelectrica SA performs operational activities based on Operational Licence 161/2000 issued by ANRE, updated by Decision no. 687/04.05.2022, of ANRE President for provision of electricity transmission services, system services and balancing market administration.

As of 30 September 2022, clients on balance from operational activities and balancing market registered increase compared to 31 December 2021 mainly determined higher volume of transactions resulting from energy market coupling mechanisms in the third quarter of 2022 compared to the fourth quarter of 2021.

In the balancing market, the decrease in the volume of transactions in the third quarter of 2022 compared to the fourth quarter of 2021 also led to a decrease in the balance of customers in contracts concluded for this type of activity.

The main clients in the total trade receivables are: MAVIR, OPCOM, IBEX, Ciga Energy SA, Joint Allocation Office SA (JAO), Electrica Furnizare SA, RAAN, Cinta Energy SA, Hidroelectrica SA, Enel Energie SA. Their share is 80.13% in the total trade receivables.

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

On 30 September 2022, the Company registered collectable receivables from the bonus type support scheme to promote high efficiency cogeneration in proportion of about 7% (as at 31 December 2021 - 9%) of the total trade receivables.

Clients under the bonus type support scheme to promote high efficiency cogeneration registered receivable decrease, as of 30 September 2022, a decrease mainly determined by the lower invoiced values for the collection of monthly contribution, closely related to the decrease in the amount of the cogeneration contribution, set by ANRE, for the period from the third quarter of 2022 to the fourth quarter of 2021.

As of 30 September 2022, the Company registered collectable receivables amounting to 170,710,166, represented by issued invoices under the bonus type support scheme to promote high efficiency cogeneration, of which:

- overcompensation for the period 2011-2013 in the amount of 76,702,140, respectively from RAAN - 63,467,054 and CET Govora SA - 13,235,086;
- undue bonus for 2014 amounting to 3,914,960, respectively from RAAN - 1,981,235, CET Govora - 1,933,725;
- undue bonus for 2015 amounting to 563,899, respectively from CET Govora - 534,377, Interagro - 29,523;
- Undue bonus for 2020 amounting to 522,181 from Donau Chem;
- Cogeneration contribution not collected from the suppliers of electricity consumers, in the amount of 21,132,299, respectively from: Transenergo Com - 5,882,073, Petprod - 4,391,193, Romenergy Industry - 2,680,620, RAAN - 2,385,922, UGM Energy - 1,504,046, CET Govora - 900,864, KDF Energy - 887,527 and others.

Up to the date of this financial report, the Company has collected the receivables related to over-compensated activities on



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under the support scheme for 2021 (in the amount of 22,893,841) from CET Govora (15,041,215), BEPCO (4,257,616) and Electrocentrale București (3,595,000), as well as the amount of 32,632,040 of the undue bonus established by ANRE Decisions for 2022, from the following producers: Bepco SRL, Complexul Energetic Hunedoara, Complexul Energetic Oltenia, CET Govora, Colonia Cluj Napoca Energie, Contourglobal Solutions, Electrocentrale București, Electro Energy Sud, Electroulaj SA, Poligen Power, Soceram SA, Termoficare Oradea and UATAA Motru.

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

According to item 11 of GD no. 925/2016 amending and supplementing GD no. 1215/2009 regarding the establishment of criteria and conditions for the implementation of the support scheme for the promotion of high efficiency cogeneration based on useful heat demand, ANRE is to develop the regulatory framework for the financial closure of the scheme. At the time of writing, the debate on the *Draft Order approving the Methodology for establishing the principles applicable to the financial closure of the support scheme for the promotion of high-efficiency cogeneration* has not been finalised.

In view of the provisions of the Government Decision no. 925/2016 as amended, the Company does not register expenses with client impairment adjustments for the support scheme, the unrecovered amount of these receivables will be included in the cogeneration contribution.

- File no. 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 **Autonomous Authority for Nuclear Activities, RAAN** was the defendant.

The summons filed by Transelectrica SA requested compelling defendant RAAN to pay 86,513,431.

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

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

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

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

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

Once submitting the receivable statement under RAAN’s bankruptcy procedure Transelectrica SA can resort to the provisions of article 52 from Law 85/2006, applicable to RAAN’s bankruptcy procedure, provisions resumed in article 90



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of Law 85/2014 on the creditor's right to invoke compensation for its receivables with its debtors to it, whenever the law-provided conditions for legal compensation are complied with on the procedure opening date, Transelectrica SA was recorded with 11,264,777 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 89,360,986,06 Lei was registered and according to letter 4162/03.10.2016 whereby the judiciary liquidator notified us only 11,264,777,30 Lei were recorded in the additional table in the receivables column resulting from the debtor's continued activity, and 78,096,208,76 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 26.03.2020 at the Appeal Court Craiova, which will refer the file to the High Court for Cassation and Justice for competent settlement.

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

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

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

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

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

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

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

On the 06.10.2022 hearing a term is granted to continue the procedure, i.e. capitalise the assets and recover receivables and the completion of the other liquidation operations and the next term is set for **09.02.2023**.

- CNTEE Transelectrica SA concluded with **CET Govora SA** an agreement to compensate and spread out the payment of



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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, in the amount of 40,507,669.

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

Beginning with 9 May 2016 the general insolvency procedure was initiated for CET Govora. In view of recovering the receivables accrued before opening the insolvency procedure the Company followed the specific procedures specified by the Insolvency Law 85/2014 and requested the court to admit its receivables, as per legal provisions. Taking into account the above, beginning with 9 May 2016 the Company ceased applying the provisions of article 17,5 from Order 116/2013 of ANRE President approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the bonus payment for electricity generated by high efficiency cogeneration and paid monthly the cogeneration bonus to CET Govora.

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

Under such circumstances the Company applies the provisions of article 17 para 5 of ANRE Order 116/ 2013 for mutual receivables and liabilities occurred after the insolvency procedure, namely withholding the bonus due to CET Govora SA up to the concurrence of amounts related to the support scheme that were not paid to the Company. Transelectrica was registered in the Preliminary and final receivables table with total amount of 28,200,440,31, of which 25,557,189,98 relate to the support scheme. Mention should be made this receivable amounting to 21,962,243,71 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 Bucharest Court of Appeal, pertaining to cancelling ANRE decision 738/28.03.2014.

On 18.07.2018 Valcea Tribunal pronounced the following settlement:

- It confirmed the reorganisation plan of Co, CET Govora SA proposed by the judiciary administrator EURO INSOL SPRL, submitted on 25 May 2018 to the file and printed in the Bulletin of Insolvency Procedures 11924 of 13 June 2018, - It denied the contestations submitted by creditors Energy Complex Oltenia SA, SNTFM CFR Marfa SA, Solek Project Delta SRL, Solek Project Omega SRL, Clean Energy Alternativ SRL and Solar Electric Curtisoara SRL,
- It set 8 October 2018 as substantial term to continue the procedure.

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

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

Under such circumstances the Company included the amount of 22,188,224.16 from the support scheme in the sundry debtors' account, which is analytically distinct - ANRE, and impacts the net position of the support scheme.

The amount of 22,188,224.16 represents receivable to be cashed from CET Govora under the support scheme amounting to 25,557,189.98, corrected with the bonus of 3,368,965.82 the Company withheld according to article 17 para 5 from Order 116/2013 of ANRE President.

Other receivables

On 30 September 2022, other receivables amounting to 164,366,969 included in the main:

- sundry debtors (**105,011,620**), of which:
 - Payment delay penalties calculated to defaulting clients amounting to 96,295,207 (of which 35,351,717 represent



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penalties under the support scheme). The greatest delay penalties were registered by the following clients: RAAN (16,901,449), Romelectro (14,373,489), CET Govora (9,606,504), Electrocentrale București (9,409,174), Eco Energy SRL (8,909,843), Petprod SRL (8,894,000) and the other customers (8,894,000), 655), Next Energy Partners (8,395,132), Total Electric Oltenia (3,288,967), Electromontaj (2,738,705), OPCOM (2,641,146). Impairment allowances were registered for the penalties calculated for late payment of receivables from operational activities;

- Compensations owed by suppliers for their non-delivery of electricity (Arelco Power 987,555) and Enol Group (2,541,312), Impairment allowances were recorded for compensations owed by suppliers from operational activities;
- Receivable to recover from OPCOM representing VAT associated to the contribution in-kind to the subsidiary's capital amounting to 4,517,460.

- Deferred expenses amounting to **15,007,468** mainly represented by: expenses related to the purchase of CPT (10,252,799), membership fees (1,498,634), ANRE annual contribution for the year 2022 (940,033), taxes and duties for the year 2022 (1,003,116), rent and maintenance of office building (739,695), insurance policies (115,826) and others;

- Other social receivables amounting to **3,373,408** 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 30 September 2022, down payments paid to suppliers are represented by debtor suppliers for service provision amounting to 823,366,857 and are mainly sums from transactions under the price-coupling mechanism (ICP - *Interim Coupling Project*, SIDC - *Single Intraday Coupling*, SDAC - *Single Day-ahead Coupling* and FBMC - *Flow Based Market Coupling*) (753,300,454 - for ICP, FBMC and SDAC and 70,015,692 - for SIDC).

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

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

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

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

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

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



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resources across Europe.

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

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

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

VAT to recover

VAT to be recovered (316,853,779) - amount relating to the statements of account for the period July to September 2022 and October 2020.

On 6 October 2022, the Company collected from the State the amount of 91,057,551, representing the value added tax claimed for refund for June and July 2022.

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

The policy of Transelectrica 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 greatest impairment allowances on 30 September 2022, calculated for trade receivables and their associated penalties were registered for CET Govora (25,136,400), Eco Energy SRL (24,736,066), Petprod SRL (23,539,650), Arelco Power (14,788,022), Romelectro SA (14,382,452), Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), GETICA 95 (12,540,731), Elsaco Energy (9,276,118), RAAN (8,516,707).

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

6. 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 30 September 2022 and 31 December 2021, cash and cash equivalents were as follows:

	30 September 2022	31 December 2021
1, Current bank accounts and deposits with original maturities of up to 90 days, of which:	381,711,791	252,110,965
a) current bank accounts and deposits with initial maturities of up to 90 days of current activity	144,393,974	39,926,219
b) current bank accounts and deposits with original maturities of up to 90 days restricted, of which:	237,317,817	212,184,746
- cash and deposits from high efficiency cogeneration	189,352,606	157,024,160
- cash and deposits from interconnection capacity allocation revenues used for network investment	1,824,152	3,154,664



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- cash from the connection fee	17,677,724	30,164,016
- European funds	24,782	287,049
- other restricted accounts (securities for the electricity market and dividends)	28,438,553	21,554,857
Cash desk	91,502	114,177
Other cash equivalents	73,771	-
Total	381,877,064	252,225,142

7. Shareholders' equities

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

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

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

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

On 30 September 2022, the shareholders of CNTEE Transelectrica SA are: the Romanian State represented by the General Secretariat of the Government holding 43,020,309 shares (58.69%), NN Group NV holding 4,007,688 shares (5.47%), PAVAL HOLDING holding 4,753,567 shares (6.49%), other Legal Person shareholders holding 16,081,363 shares (21.94%) as well as Natural Person shareholders holding 5,440,215 shares (7.41%),

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 shareholding structure on 30 September 2022 and 31 December 2021 were the following:



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Shareholder	30 September 2022		31 December 2021	
	Number of actions	% of share capital	Number of shares	% of share capital
The Romanian State through the SGG	43,020,309	58.69%	43,020,309	58.69%
Other legal person shareholders	16,081,363	21.94%	16,172,331	22.05%
PAVAL HOLDING	4,753,567	6.49%	4,753,567	6.49%
NN Group NV	4,007,688	5.47%	4,007,688	5.47%
Other natural person shareholders	5,440,215	7.41%	5,349,247	7.30%
Total	73,303,142	100.00%	73,303,142	100.00%

The increase in shareholders' equity as at 30 September 2022 compared to 31 December 2021 was mainly due to the recognition in retained earnings of net profit amounting to 418,194,717 realised as at 30 September 2022.

8. Deferred revenues

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

On 30 September 2022, the **deferred** revenues were as follows:

	30 September 2022	Of which: the current part on 30.09.2022	31 December 2021	Of which: the current part on 31.12.2021
Deferred revenues – allocation of interconnection capacities	9,572,669	9,572,669	7,649,266	7,649,266
Deferred revenues - European funds	2,532,919	2,532,919	2,076,417	2,076,417
Funds from the connection fee	254,312,564	14,861,377	260,879,623	14,814,156
European Funds	182,639,693	2,920,779	178,667,003	6,137,909
Other subsidies	25,176,439	4,042,747	25,742,927	903,440
Total	474,234,284	33,930,491	475,015,236	31,581,188

The development of **current deferred revenues** in January - September 2022 was the following:

	30 September 2022	31 December 2021
Balance at the beginning of the time interval	31,581,188	28,853,237
Deferred proceeds rel, to the interconnection capacities	86,016,654	38,428,451
Proceeds from European funds	633,101	1,091,813
Transfer from non-current deferred revenues	(30,603)	(2,913,635)
Revenues from the use of interconnection capacities	(84,093,249)	(33,452,345)
Revenues from European funds	(176,600)	(426,333)
Total	33,930,491	31,581,188



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The development of **non-current deferred revenues** in January - September 2022 was as follows:

	30 September 2022	31 December 2021
Balance at the beginning of the time interval	443,434,048	352,028,637
Connection subsidies	(2,904,857)	3,660,512
Non-returnable funds	(8,686,812)	(93,133,164)
Non-returnable funds to repay	-	-
Transfer into current deferred revenues	25,569,368	203,482,936
Resuming subsidies into revenues	(17,107,954)	(22,604,873)
Total	440,303,793	443,434,048

9. Borrowings

- *Non-current loans*

On 30 September 2022, the value of non-current borrowings diminished in comparison with 31 December 2021 mainly because of repayments made according to existent loan agreements.

In January - September 2022 there were no drawings from loans.

In the nine months' period ended on 30 September 2022 borrowings were as follows:

	Currency	Interest rate	Accounting value	Due date
Balance on 1 January 2022			103,314,496	
New drawings			-	
Repayments, of which:			(17,778,385)	
EIB 25709	EUR	3.596%	(11,806,528)	10-Sep-2025
EIB 25710	EUR	3.856%+2.847%	(5,971,857)	11-Apr-2028
Exchange rate differences on repayment date			(91,837)	
Balance on 30 September 2022			85,444,274	

On 30 September 2022 and 31 December 2021, the balances of non-current loans contracted from credit institutions were as follows:

Description	30 September 2022	31 December 2021
EIB 25709	35,742,778	47,648,371
EIB 25710	49,701,496	55,666,125
Total non-current borrowings from credit institutions, of which:	85,444,274	103,314,496
Current part of non-current loans	(23,863,768)	(23,859,428)
Total non-current loans, net of current instalments	61,580,506	79,455,068



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

	30 September 2022	31 December 2021
Between 1 to 2 years	23,863,768	23,859,428
Between 2 to 5 years	36,765,008	54,168,304
Over 5 years	951,730	1,427,336
Total	61,580,506	79,455,068

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

All non-current loans, contracts EIB 25709 and EIB 25710 bear fixed interest rate.

- *Current borrowings*

Current borrowings are detailed as follows:

	30 September 2022	31 December 2021
Current part of non-current borrowings	23,863,768	23,859,428
Current bank loan	75,776,569	-
Interest associated to current and non-current loans	968,268	1,012,535
Total current borrowings	100,608,605	24,871,963

- *Loans contracted for current activities*

On 30.03.2022, Transelectrica concluded credit contract no, C624 as overdraft account with Banca Comercială Română for a period of 12 months in order to finance the support scheme bonus for high efficiency cogeneration, in the amount of RON 175 million, with an interest rate calculated according to the ROBOR 1M reference rate, 0.35% margin is added and a commission of 0.088%.

The credit line is secured by means of:

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

On September 30, 2022, the line of credit is undrawn.

On 10.03.2022, Transelectrica concluded credit contract no, C588 with Banca Transilvania for a period of 12 months to finance the working capital of the Company, in the amount of 200,000,000 with an interest calculated based on the ROBOR 1M reference rate, to which a margin of 0.05% is added.

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

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



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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 contract for the provision of electricity transmission and system service concluded with Electrica Furnizare SA, Enel Energie SA.

On 09.05.2022, Transelectrica signed Addendum No. 1 to credit contract No. C588/2022, concluded with Banca Transilvania, having as object the extension of the use validity of the credit line to 24 months, and on 16.06.2022, Transelectrica concluded Addendum No. 2 to credit contract No. C588 having as object the increase of the ceiling for issuing bank security letters from 25 million lei to 40 million lei.

On September 30, 2022, drawings on the credit line in the amount of 75,776,569 were made.

10. Trade and other payables

On 30 September 2022 and 31 December 2021, trade and other liabilities were as follows:

	30 September 2022	31 December 2021
Suppliers on the electricity market	2,110,329,640	1,893,042,316
Suppliers of assets	103,575,776	158,369,109
Suppliers of other activities	51,843,204	38,990,780
Amounts owed to employees	8,535,562	8,675,618
Other liabilities	1,390,371,218	965,489,650
Total	3,664,655,400	3,064,567,473

On 30 September 2022 and 31 December 2021, the liabilities on balance from the electricity market amounting to 2,110,329,640 and 1,893,042,316 respectively, were structured as follows:

	30 September 2022	31 December 2021
Suppliers on the electricity market, of which:		
- suppliers - operational activity	1,533,339,818	1,125,210,670
- suppliers - balancing market	519,695,181	549,941,350
- suppliers - bonus type support scheme for promotion of high-efficiency cogeneration	57,294,641	217,890,296
Total	2,110,329,640	1,893,042,316

Electricity market suppliers are mainly represented by IBEX, MAVIR, Hidroelectrica SA, Joint Allocation Office, OPCOM, S Complexul energetic Oltenia SA, Electrica Furnizare SA, CIGA Energy SA, Engie Romania SA, As of 30 September 2022, their share in the total number of electricity suppliers was 89.95%.

The higher liability balance for operational activities was mainly determined by the increase in the third quarter of 2022 in the volume of transactions resulting from the coupling of electricity markets.

The lower liability balance of the balancing market was determined by the increase in the volume of transactions registered on the balancing market in the third quarter of 2022 compared to the fourth quarter of 2021.

The decrease of liabilities related to the support scheme to suppliers (producers) was mainly determined by the decrease in the monthly bonus for high efficiency cogeneration from September 2022 to December 2021.

On 30 September 2021, payment liabilities to suppliers (producers) were registered amounting to 35,549,294 (RAAN –



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32,180,328 and CET Govora SA – 3,368,966), representing the monthly cogeneration bonus, the ex-ante overcompensation for 2014 and 2015, and the bonus not paid in 2015. The amounts representing Company liabilities under the support scheme to RAAN and CET Govora were withheld from payment according to article 17 para 5 of Order 116/2013 of ANRE President, because suppliers (producers) registered payment liabilities to the Company under the bonus type support scheme.

The Company requested the suppliers (producers) that did not pay the overcompensation invoices their agreement to compensate mutual liabilities at minimum level by means of the Training Centre for Industry Personnel Bușteni - Bucharest Branch, which uniformly manages all information received from tax-payers according to the provisions of GD no.773/2019.

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

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

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

Since ANRE Decision 738/28.03.2014 was suspended by court civil ruling 3185/27.11.2015, which had determined the 2011-2013 overcompensation, CET Govora SA had no longer complied with the Agreement terms. Beginning with 9 May 2016 the general insolvency procedure was initiated for CET Govora. Taking into account the provisions of the Insolvency Law 85/2014 the Company ceased, beginning with 9 May 2016, to apply the provisions of article 17,5 from Order 116/2013 of ANRE President approving the Regulation establishing the collection mode of the contribution for high efficiency cogeneration and the payment mode of the bonus for electricity generated under high efficiency cogeneration and pays monthly the cogeneration bonus owed to CET Govora, Civil ruling 2430/05.10.2016 of the High Court of Cassation and Justice admitted the appeal filed by ANRE against civil ruling 3185/27.11.2015, partly cancelled the sentence appealed against and denied the suspension request of CET Govora, such decision being final. Thus, beginning with 05.10.2016 the effects of ANRE Decision 738/28.03.2014 are no longer suspended, bearing full effects.

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

The decrease of the asset suppliers' balance on 30 September 2022 compared to 31 December 2021 was mainly owed to payments falling due.

Liabilities to the suppliers of other activities are mainly represented by liabilities associated to services provided by third parties that did not reach maturity, which have increased in comparison with 31 December 2021.

On 30 September 2022, the Company did not register outstanding liabilities to suppliers (state budget, local budget or other public institutions).

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



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	30 September 2022	31 December 2021
Sundry creditors	299,576,997	145,712,314
Client - creditors	1,014,813,677	751,982,307
Dividends to pay	154,395	234,188
Liabilities - Current building leasing	8,423,283	8,273,431
Liabilities - Non-current building leasing	16,846,566	22,751,934
Other liabilities	50,556,300	36,535,476
Total	1,390,371,218	965,489,650

- "Sundry creditors", amounting to **299,576,997** on 30 September 2022, mainly represent:
 - The net position of the support scheme for high efficiency cogeneration, a liability position amounting to 292,181,361,
The net support scheme position represents the difference between:
 - The contribution to be collected from the suppliers of electricity consumers; the overcompensation for electricity and heat generated under high efficiency cogeneration; the undue bonus to collect from producers according to ANRE decisions on the one hand, and
 - The cogeneration bonus; the ex-ante overcompensation and ungranted bonus to pay to electricity producers for high efficiency cogeneration that are beneficiaries of the support scheme on the other hand;
 - 5,361,073 study contracts for RET connection solutions,
 - 913,619 royalty quarter III 2022 and others.
- " Client creditors ", on 30 September 2022, amounting to **1,014,813,677**, of which 1,008,149,621 represent amounts received in advance from OPCOM (360,169,273), MAVIR (616,313,677), IBEX (31,582,420) and JAO (84,251) under transactions related to the price coupling mechanisms, ICP (Interim Coupling Project), SIDC (Single Intraday Coupling) SDAC (Single Day-ahead Coupling) and FBMC (Flow Based Market Coupling).
- On 30 September 2022, dividends owed to Company shareholders but unpaid amounted to **154,395**. Such amounts are at the shareholders' disposal by means of the payment agent.
- On 30 September 2022, the **liability for assets related to the utilisation rights of leased assets - buildings**, according to the provisions of IFRS 16 - Leasing Contracts amounted to 25,269,849, of which:
 - Current liability: 8,423,283;
 - Non-current liability: 16,846,566.
- "Other liabilities" in the amount of 50,556,300 are mainly represented by the payment bonds of contracts on the electricity market concluded by CNTEE Transelectrica SA in the amount of 29,790,867 and non-demandable VAT during the reporting period in the amount of 20,528,867.

Provisions

On 30 September 2022 and 31 December 2021, the provision situation were as follows:

	30 September 2022	31 December 2021
Provisions for disputes	19,980,823	31,199,387
Provisions for mandate contracts	17,918,862	20,478,148
Other provisions	2,835	11,425
TOTAL	37,902,520	51,688,960



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Provisions for disputes found on balance at 30.09.2022, amounting to 19,980,823, are mainly represented by provisions constituted for the following disputes:

- *File 36755/3/2018 - Claimant Conaid Company SRL (17,216,093)* – more details on this file are provided in Note 18 - Disputes and Contingencies.

- *File No 3083/3/2020 - claimant NUCLEARELECTRICA SA (1,472,785)*

On 26.06.2020, Nuclearelectrica sued the Company in order to pay 1,290,533,156 lei representing negative imbalance and 182,251.94 lei, legal interest.

After several terms when the case was deferred (26.06.2020, 16.10.2020, and 11.12.2020) for various reasons, on 22.12.2020 the Court obliged the Company to pay 1,290,533,156 lei as compensatory damages to the claimant; to pay the update of such sum with the inflation rate from 27.09.2018 until actual payment date; to pay 182,251.94 Lei representing legal penalty interest calculated from 27.09.2018 until 31.01.2020, and to further pay the legal penalty interest calculated from 01.02.2020 until actual payment date. It also compelled the defendant to pay 23,441.66 Lei to the claimant as law court expenses, consisting of judiciary stamp tax. It denied the defendant's request for law court expenses as groundless. Appeal right granted within 30 days from notification, (Ruling 2698/2020 / 22.12.2020).

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

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

"Provisions for mandate contracts" in the amount of 17,918,862, on 30 September 2022, consist of:

- the remuneration of executive and non-executive directors representing the variable component related to the allocated and unused OAVT packages during the period of the mandates executed in the period 2013-2017;
- the remuneration representing the variable component, the non-competition compensation and the remuneration related to the remaining gross monthly fixed compensation until the end of the term of office for the members of the Supervisory Board/Management Board, i.e. until 2024, for which the Company is in dispute.

"Other provisions" amounting to 2,835 represent holidays that were not taken.

11. Other tax and social security liabilities

On 30 September 2022 and December 31, 2021, other taxes and social security liabilities include:

	30 September 2022	31 December 2021
Contribution to social security funds	7,860,980	10,987,591
Salary tax	1,474,295	1,966,512
Other payable taxes	989,771	1,369,558
Total	10,325,046	14,323,661

On 30 September 2022, the Company registered payment liabilities for the contributions to social security funds, salary tax and other taxes, which were due and paid in October 2022.



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12. Income tax

The current and deferred Company income tax is determined at 16% statutory rate.

The income tax expense for the third quarter of 2022 and the third quarter of 2021, as well as the income tax expense on 30 September 2022 and 30 September 2021, were as follows:

	Quarter III 2022	Quarter III 2021	30 September 2022	30 September 2021
Current income tax	74,778,169	1,027,765	82,974,307	20,574,083
Deferred income tax	(2,763,816)	(1,878,984)	(5,839,654)	(4,530,741)
Total	72,014,353	(851,219)	77,134,653	16,043,342

13. Operational revenues**Period 01 July 2022-30 September 2022 compared to period 01 July 2021-30 September 2021**

These are revenues achieved by the Company by providing transmission and system services on the electricity market, by allocating the interconnection capacities, balancing market operation and other revenues.

The ANRE-approved tariffs for services provided on the electricity market in quarter 3, 2022 and quarter 3, 2021 were as follows:

	Average tariff of transmission services	Tariff for system services
Order No 33/23,03,2022 for the period 1 July to 30 September 2022	28.10	9.32
Order No 10/24,02,2021 for the period 01 July - 30 September 2021	20.55	10.82

The average electricity transmission tariff has two components: one for electricity introduction into the network (T_G) and one for electricity extraction from the network (T_L).

Zone tariffs of transmission services to inject electricity in the grid (T_G) and to take electricity out of the grid (T_L) were approved by ANRE Order 214/2020 beginning with 1 January 2022.

The electricity quantities delivered to consumers which were applied tariffs for services provided on the electricity market were as follows:

	01 July 2022 - 30 September 2022	01 July 2021 - 30 September 2021
Electricity quantity delivered to consumers (MWh)	12,593,323	13,647,248

Operational revenues achieved in the third quarter of 2022 and the third quarter of 2021 were the following:

	Quarter III 2022	Quarter III 2021
Transmission revenues	351,210,379	278,054,292
Revenue from the allocation of interconnection capacities	188,037,738	12,051,750
Revenue from reactive electricity	75,871	171,313



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Inter TSO Compensation (ITC) revenues	856,686	1,825,820
CPT transaction revenues	43,175,224	5,740,672
Transmission revenues – total	583,355,898	297,843,847
Revenues from technological system services	117,793,476	148,913,426
Revenue with unplanned exchanges on DAM	-	8,772,018
Revenue from unplanned/planned exchanges-FSKAR-Ukraine	102,972	-
Revenue from emergency aid	9,612,736	0
Revenue from system services - total	127,509,184	157,685,444
Revenues on the balancing market	1,279,597,001	394,230,699
Other income	10,324,960	10,282,013
Revenues from capitalisation of CPT	279,236,607	-
TOTAL REVENUE	2,280,023,650	860,042,003

Revenue from transmission services

Revenues from transmission service increased in the third quarter of 2022 compared to the third quarter of 2021 by 73,156,087, due to the increase in the average tariff for transmission service approved by ANRE (see the table on tariffs approved by ANRE for the period under review, presented above), while the quantity of electricity delivered to clients decreased by 7.72%, i.e. by 1,053,925 MWh.

Revenue from the allocation of interconnection capacities

Revenue from the allocation of interconnection capacities increased in Q3 2022 compared to Q3 2021 in the amount of 175,985,988, corresponding to the utilisation degree of available interconnection capacities by 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. The increase over the period under review is due both to the unit price of electricity which has increased across the European Union, leading to a large price differential between the coupled markets, and to the European energy shortage. Implicit allocations, where capacity and energy are provided for simultaneously, are strongly influenced by variations in the price of electricity on European exchanges.

Inter TSO Compensation (ITC) revenues

ITC revenues were lower in Q3 2022 compared to Q3 2021 by 969,134. These revenues come from scheduled electricity exchanges with Ukraine. The reduction in Q3 2022 is due to the international political situation which led to a drastic decrease in scheduled energy exchanges with Ukraine.

Revenues from CPT transactions

Energy trading revenues for CPT were mainly derived from the sale of excess electricity resulting from the difference between the long- and medium-term forecast and the short-term forecast on the Intraday Market administered by OPCOM and from the difference between forecast CPT and actual CPT achieved on the Balancing Market, respectively. These revenues were higher in Q3 2022 compared to Q3 2021 by 37,434,552, influenced by the increase in electricity market prices.



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Revenues from technological system services

Revenues from technological system services decreased in the third quarter of 2022 compared to the third quarter of 2021 by 31,119,950, due both to the decrease in the tariff approved by ANRE for these services (according to the previously provided table with ANRE-approved tariffs in the studied periods) and to the reduction in the electricity quantities delivered to consumers by 7.72%, i.e. by 1,053,925 MWh.

Revenues from emergency aid

The income from the emergency aid in the amount of 9,612,736 was registered in accordance with the provisions of Contract No. 578/08.03.2022 concluded with UKRENERGO, concerning the granting of emergency aid (exported energy) to Ukraine in August and September 2022, following the request of the neighbouring TSO. The total amount of electricity granted by CNTEE Transelectrica SA for the emergency aid was 3,725 MWh. The reason for granting the Ukraine the outage aid was the fact that in the interconnection Continental Europe interzonal voltage swings were detected in the east-west direction with very weak damping and the Spanish TSO requested Ukraine, according to the procedures for emergency interconnection of the power systems of Ukraine and the Republic of Moldova, to reduce the export balance to 0 MW.

Balancing market revenues

Revenues on the balancing market increased in Q3 2022 compared to Q3 2021 by 885,366,302, mainly determined by the following issues:

- regulatory issues:
 - Price limits were removed from the offers on the balancing market according to the *Regulation for the operation and settlement of the balancing market and the Regulation to schedule dispatchable generating units, the dispatchable consumers and the dispatchable storage installations*, approved by ANRE Order 61/31.03.2020;
 - The obligation to participated on the balancing market was removed according to the *Regulation to calculate and settle the imbalances of balancing responsible parties – single imbalance price* and amending certain orders issued by the President of the National Regulatory Authority in the Energy domain, approved by ANRE Order 213/25.11.2020;
 - Adopting the 15 minutes settlement interval on the balancing market;
 - Applying the single settlement price on the balancing market beginning with 1 February 2021;
 - Applying, as of 1 June 2021, the new set of common rules for the settlement of planned electricity exchanges and unplanned electricity exchanges (FSKAR calculation methodology - Financial Settlement of $k\Delta f$, ACE and Ramping Period) which provides for a financial settlement between Transmission Operators and System Operators, thus eliminating the compensations in kind determined according to the ENTSO-E methodology by the Settlement Centres in Brauweiler (Germany) and Laufenburg (Switzerland), which CNTEE Transelectrica SA used to trade on the Day-Ahead Market. The respective Settlement Centres transmit the results to each Transmission System Operator in the form of daily files containing the planned and unplanned exchanges (quantities - prices) calculated for the respective Transmission System Operator for each settlement interval. The established price is the weighted average of the prices from trading on the Day-Ahead Markets in all ENTSO-E Member States, prices are expressed in Euro/MWh. The costs and revenues highlighted in the invoice received from the JAO regarding the settlement of energy related to unplanned exchanges will be included in the settlement calculation in the Balancing Market, in accordance with the provisions of ANRE Order No. 33/2021, on the amendment and completion of the Regulation on the calculation and settlement of imbalances of the parties responsible for balancing - single imbalance price, approved by ANRE Order No. 213/2020.
- Revenues and expenses related to planned energy exchanges (FSKAR-FCP-EU) and unplanned energy exchanges (FSKAR-EU) are recorded under the indicators balancing market revenues and balancing market expenses, respectively, in view of the change in the rules for the settlement of imbalances in the energy market, with planned and unplanned exchanges being integrated into the balancing market settlement mechanism.
- Applying, from 01.01.2022, the rules for imbalance netting between all OTS, according to the IN (Imbalance Netting) Platform. In this respect, from 01.01.2022 the European platform, International Grid Control Cooperation (IGCC) or IN (Imbalance Netting) Platform for the process of imbalance netting between all OTS, which performs



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the automatic frequency restoration process under Part IV of Regulation (EU) 2017/1485, became operational.

Please note that the International Grid Control Cooperation (IGCC) is the project that was chosen in 2016 by ENTSO-E to become the future European platform for the imbalance compensation process, as defined in Commission Regulation (EU) 2017/1485 of 2 August 2017 laying down guidelines for the operation of the electricity transmission system (Article 22). The IGCC initiative was started in 2010 by operators in Germany and has subsequently been extended to central European systems, representing a way to optimise secondary frequency regulation - exchange power by reducing the counteracting actions of member operators' regulators, resulting in an optimised use of the system reserve "Automatically Triggered Frequency Restoration Reserve" of the FRR on an aggregate level.

- market functioning issues:
 - the sharp increase in prices on the European electricity market in the context of the resource crisis, with an impact for the carrying out of the contracting modality on the pre-balancing markets on local and regional level;
 - the increase in prices registered on the balancing market;
 - the evolution of electricity production and consumption;
 - much lower hydraulic levels in 2022 compared to 2021;
 - the upward trend in the price of CO₂ certificates;
 - common settlement rules for planned exchanges of energy and common settlement rules for unplanned exchanges of energy established under Regulation (EU) No 1485/2017 laying down guidelines for the operation of the electricity transmission system and Regulation (EU) No 2195/2017 laying down guidelines for balancing the electricity system.

Period 01 January 2022-30 September 2022 compared to period 01 January 2021-30 September 2021

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

	Average transmission tariff	Tariff for system services
Order No 33/23,03,2022 for the period 01 April - 30 September 2022	28.10	9.32
Order No 124/25,11,2021 for the period from 1 January to 31 March 2022	23.96	9.32
Order No 10/24,02,2021 for the period 01 March - 30 September 2021	20.55	10.82
Order No 214/09,12,2020 for the period 01 January - 28 February 2021	20.55	11.96

The electricity quantity delivered to consumers in the period 01 January 2022-30 September 2022 and 01 January 2021-30 September 2021, respectively, was the following:

	01 January 2022 - 30 September 2022	01 January 2021 - 30 September 2021
Electricity quantity delivered to consumers (MWh)	39,496,587	41,925,308

The operating revenues for the period from 1 January 2022 to 30 September 2022 and from 1 January 2021 to 30 September 2021 respectively are as follows:



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	01 January 2022 - 30 September 2022	01 January 2021 - 30 September 2021
Transmission revenues	1,045,012,939	857,516,345
Revenue from the allocation of interconnection capacities	314,618,144	32,841,624
Revenue from reactive energy	808,247	459,295
Inter TSO Compensation (ITC) revenues	1,091,869	2,733,579
Revenues from CPT transactions	54,374,230	16,760,438
Transmission revenues- total	1,415,905,429	910,311,281
Revenues from technological system services	369,468,715	467,080,377
Revenues with unplanned exchanges on DAM	-	11,957,555
Revenues from unplanned/planned exchanges-FSKAR-Ukraine	147,494	-
Revenues from emergency aid	9,612,736	-
Revenues from system services - total	379,228,945	479,037,932
Balancing market revenues	2,774,427,999	863,096,725
Other revenues	35,349,844	29,350,661
Revenues from capitalisation of CPT	297,236,607	-
TOTAL REVENUE	4,884,148,824	2,281,796,599

Transmission revenues

Revenues from transmission service increased in the period January-September 2022 compared to January-September 2021 by 187,496,594, determined by the increase in the average tariff for transmission service approved by ANRE (according to the previously provided table with ANRE-approved tariffs in the studied periods), in the context of the decrease in the amount of electricity delivered to consumers by 5.79%, i.e. by 2,428,721 MWh. The decrease in quantity was influenced by the increase in primary fuel prices, which was reflected in the final price of electricity on the one hand, and by the average monthly temperatures, which systematically registered positive anomalies and were generally above climatological norms on the other hand.

Revenue from the allocation of interconnection capacities

Revenue from the allocation of interconnection capacity increased in the period January-September 2022 compared to January-September 2021 in the amount of 281,776,520, corresponding to the utilisation degree 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. The increase during the studied period is determined both by the unit price of electricity which has increased across the European Union, leading to a large price differential between the coupled markets, and by the European energy shortage. Implicit allocations, where capacity and energy are provided for simultaneously, are strongly influenced by variations in the electricity price on European exchanges.

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



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The establishment of regional energy exchanges by Romania, Hungary, the Czech Republic and Slovakia on 19 November 2014 means that these four countries will have a single price for electricity traded on the spot markets. The allocation of capacity between Romania and Hungary, the only one of the three countries with which Romania shares a border, is carried out by the transmission operators Transelectrica and MAVIR, through a joint mechanism, on the basis of a bilateral agreement. On 17 June 2021, the Romanian Day-Ahead Market switched to a Europe-wide coupled mechanism with the implementation of the DE-AT-PL-4M MC project, also known as Interim Coupling, with the Romania-Hungary border being integrated into the Single Day-Ahead Market Coupling (SDAC). On 8 June 2022, the Core FB MC (Core Flow-Based Market Coupling) project was put into operation, thus initiating the coupling of the day-ahead market on a flow basis in the Core capacity calculation region. The flow-based market coupling mechanism optimises the European electricity market for 13 countries (Austria, Belgium, Croatia, Czech Republic, France, Germany, Hungary, Luxembourg, Netherlands, Poland, Romania, Slovakia and Slovenia).

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

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

Since 2016 the UIOSI - Use It Or Sell It principle has been implemented on the borders with Bulgaria and Hungary, and since 2017 also on the border with Serbia. According to this principle, participants who do not use the capacity won on annual and monthly bids are remunerated (by Transelectrica) for that capacity. Unused capacity is then sold in daily bids.

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

Inter TSO Compensation (ITC) revenues

These revenues were lower in January-September 2022 compared to January-September 2021 by 1,641,710, the reduction being determined by the international political situation which led to a drastic decrease in scheduled energy exchanges with Ukraine.

Revenues from CPT transactions

Energy trading revenues for CPT were higher in January-September 2022 compared to January-September 2021 by 37,613,792. These revenues were mainly obtained by selling the excess electricity resulting from the difference between the long- and medium-term forecast and the short-term forecast on the Intraday Market administered by OPCOM and the difference between forecast CPT and actual obtained CPT on the Balancing Market, respectively.

In the context of rising prices on the whole energy market, on all time levels, and as a result of the 11% decrease in the value of CPT made compared to the value made in the previous year, the studied period registered an increase of more than 10 times in revenues on the Intraday Market compared to the revenues registered in the same period last year and an increase of almost 4 times compared to the budgeted value. For the Balancing Market, revenues increased by about 2 times compared to the same period last year and by about 1,5 times compared to the budgeted amount.

The current price situation on the wholesale electricity market is significantly different from the situation in previous years, being strongly influenced by the conflict in Ukraine and the international energy crisis. The difference is marked and is evident across the entire European continent, not just in Romania. The situation at European level has deteriorated rapidly since the beginning of the year, with unprecedented energy stress, especially for electricity and natural gas.



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Revenues from technological system services

Revenues from technological system services registered decrease in January-September 2022 compared to January-September 2021 in the amount of 97,611,662, determined by diminished ANRE-approved tariff for such services (according to the previously provided table with ANRE-approved tariffs in the studied periods) and to the reduction in the electricity quantities delivered to consumers by 5.79%, i.e. by 2,428,721 MWh.

The regulatory framework specific to technological system services contains regularisation mechanisms compensating the excess or deficit of revenues as compared to expenses necessary for such activities. Thus, according to ANRE regulations the revenue surplus / deficit against the recognised costs resulting from such activities is to be compensated by ex-post tariff (negative / positive) correction applied by ANRE into the tariff in the years following that when such surplus / deficit was recorded. The revenue surplus / deficit against costs resulting from such activities is calculated for tariff scheduling periods (usually 12 months).

Revenues from emergency aid

The revenues from the emergency aid in the amount of 9,612,736 was registered in accordance with the provisions of Contract No. 578/08.03.2022 concluded with UKRENERGO, on the provision of emergency aid (exported energy) to Ukraine in August and September 2022, following the request of the neighbouring TSO. The total amount of electricity granted by CNTEE Transelectrica SA for the emergency aid was 3,725 MWh. The reason for granting the Ukraine the outage aid was the fact that in the interconnection Continental Europe interzonal voltage swings were detected in the east-west direction with very weak damping, and the Spanish TSO requested Ukraine, according to the procedures for emergency interconnection of the power systems of Ukraine and the Republic of Moldova, to reduce the export balance to 0 MW.

Balancing market revenues

Revenues on the balancing market increased in January-September 2022 compared to January-September 2021 by 1,911,331,274, mainly determined by the following issues:

- regulatory issues:
 - Price limits were removed from the offers on the balancing market according to the Regulation for the operation and settlement of the balancing market and the Regulation to schedule dispatchable generating units, the dispatchable consumers and the dispatchable storage installations, approved by ANRE Order 61/31.03.2020;
 - The obligation to participated on the balancing market was removed according to the Regulation to calculate and settle the imbalances of balancing responsible parties – single imbalance price and amending certain orders issued by the President of the National Regulatory Authority in the Energy domain, approved by ANRE Order 213/25.11.2020;
 - Adopting the 15 minutes settlement interval on the balancing market;
 - Applying the single settlement price on the balancing market beginning with 1 February 2021;
 - Applying, as of 1 June 2021, the new set of common rules for the settlement of planned electricity exchanges and unplanned electricity exchanges (FSKAR calculation methodology - Financial Settlement of kΔf, ACE and Ramping Period) which provides for a financial settlement between Transmission Operators and System Operators, thus eliminating the compensations in kind determined according to the ENTSO-E methodology by the Settlement Centres in Brauweiler (Germany) and Laufenburg (Switzerland), which CNTEE Transelectrica SA used to trade on the Day-Ahead Market. The respective Settlement Centres transmit the results to each Transmission System Operator in the form of daily files containing the planned and unplanned exchanges (quantities - prices) calculated for the respective Transmission System Operator for each settlement interval. The established price is the weighted average of the prices from trading on the Day-Ahead Markets in all ENTSO-E Member States, prices are expressed in Euro/MWh. The costs and revenues highlighted in the invoice received from the JAO regarding the settlement of energy related to unplanned exchanges will be included in the settlement calculation in the Balancing Market, in accordance with the provisions of ANRE Order No. 33/2021, on the amendment and completion of the Regulation on the calculation and settlement of imbalances of the parties responsible for balancing - single imbalance price,



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- approved by ANRE Order No. 213/2020,
- Revenues and expenses related to planned energy exchanges (FSKAR-FCP-EU) and unplanned energy exchanges (FSKAR-EU) are recorded under the indicators balancing market revenues and balancing market expenses, respectively, in view of the change in the rules for the settlement of imbalances in the energy market, with planned and unplanned exchanges being integrated into the balancing market settlement mechanism;
 - Applying, from 01.01.2022, the rules for imbalance netting between all OTS, according to the IN (Imbalance Netting) Platform. In this respect, from 01.01.2022 the European platform, International Grid Control Cooperation (IGCC) or IN (Imbalance Netting) Platform for the process of imbalance netting between all OTS, which performs the automatic frequency restoration process under Part IV of Regulation (EU) 2017/1485, became operational,
 - Please note that the International Grid Control Cooperation (IGCC) is the project that was chosen in 2016 by ENTSO-E to become the future European platform for the imbalance compensation process, as defined in Commission Regulation (EU) 2017/1485 of 2 August 2017 laying down guidelines for the operation of the electricity transmission system (Article 22). The IGCC initiative was started in 2010 by operators in Germany and has subsequently been extended to central European systems, representing a way to optimise secondary frequency regulation - exchange power by reducing the counteracting actions of member operators' regulators, resulting in an optimised use of the system reserve "Automatically Triggered Frequency Restoration Reserve" of the FRR on an aggregate level.
- market operation issues:
 - In 2022, the energy situation in Europe has deteriorated significantly compared to previous years, with a very large electricity deficit due to a combination of several factors (gas crisis, in the wake of Russia's war on Ukraine; low hydroelectricity, in the wake of prolonged drought and very high temperatures across Europe; very low availability of nuclear power plants in France, which together with Germany were the main electricity exporters in Europe);
 - the sharp increase in prices on the European electricity market in the context of the resource crisis, with an impact on the carrying out of the contracting modality on the pre-balancing markets on local and regional level;
 - the increase in prices registered on the balancing market;
 - Much lower hydroelectricity in 2022 compared to 2021 (electricity produced by hydropower plants in the period January-September decreased in 2022 to 10,812 GWh compared to 14,633 GWh in the same period of 2021);
 - Evolution of electricity production and consumption (electricity production decreased by 7% and domestic electricity consumption decreased by 6% compared to the same period in 2021);
 - the upward trend in the price of CO2 certificates,
 - common settlement rules for planned exchanges of energy and common settlement rules for unplanned exchanges of energy established under Regulation (EU) No 1485/2017 laying down guidelines for the operation of the electricity transmission system and Regulation (EU) No 2195/2017 laying down guidelines for balancing the electricity system.

The regulations implemented in national legislation in line with the provisions of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the electricity market, the implementation of 15-minute granularity interval settlement, the application of the single settlement price in the balancing market, the European context of the evolution of the electricity market, the evolution of the price of CO₂ certificates have had and will have significant impact on the balancing market revenues / expenses.

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



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Revenues from capitalisation of own technological consumption (CPT)

According to Article III of GEO No. 119/2022 amending and supplementing GEO No. 27/2022 on the measures applicable to final customers in the electricity and natural gas market for the period 1 April 2022 - 31 March 2023, and for the amendment and completion of certain regulatory acts in the energy field, for licensed economic operators providing electricity transmission services, the additional costs for the purchase of electricity made in the period 1 January 2022 - 31 August 2023, in order to cover their own technological consumption, compared to the costs included in the regulated tariffs, shall be capitalised, and the assets resulting from the capitalisation shall be depreciated over a period of 5 years from the date of capitalisation.

Thus, as of 30 September 2022, the Company has registered CPT capitalization revenues in the amount of 279,236,607, representing additional CPT calculated as the difference between the net cost of CPT acquisition and the cost of CPT included in the regulatory tariff, for the period from 1 January to 30 September 2022.

14. System operation expenses and on the balancing market**Period 01 July 2022-30 September 2022 compared to period 01 July 2021-30 September 2021**

Expenses in Q3 2022 compared to Q3 2021 were as follows:

	Third quarter 2022	Third quarter 2021
Expenses regarding one's technological consumption	201,937,744	106,349,106
Congestion expenses	-	178
Expenses regarding electricity consumption in RET substations	8,911,749	4,335,588
Expenses regarding functional system services	-	8,948,017
Inter TSO Compensation (ITC) expenses	4,600,000	3,542,510
Total operational expenses	215,449,493	123,175,399
Expenses regarding technological system services	108,099,635	156,502,406
Balancing market expenses	1,279,728,347	394,566,807
Total	1,603,277,475	674,244,612

Expenses regarding one's technological consumption

They are expenses to procure electricity on the free electricity market to cover one's technological consumption (CPT) in the RET; they were higher in Q3 2022 compared to Q3 2021 by 95,588,638, taking into account a number of aspects, as follows:

- Due to its characteristics, the Own Technological Consumption (CPT) in the Electricity Transmission Network (ETN) is strongly dependent on weather conditions, the structure of electricity generation and consumption at national level, the distribution of electricity flows in the internal transmission network and on the interconnection lines with neighbouring power systems, and its value is very little/not controllable in a regional interconnected and coupled power market;
- Market unpredictability has manifested itself in steep and rapid price increases in the context of rising carbon emission certificate prices, insufficient power generation capacity to replace fossil fuel-based generation, especially coal-fired generation, market liberalisation, the armed conflict in Ukraine, lack of competition from generators and competition from suppliers to buy power in order to fulfil their contracts;
- The average price of energy purchased from the DAM was higher in the third quarter of 2022 compared to the same period in 2021;



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- Given that day-ahead markets are coupled under the CORE FB MC mechanism from June 2022 onwards, the increase in prices across Europe, driven by low hydropower, amid prolonged drought and very high temperatures across Europe, and the reduced availability of nuclear power plants in France has had a significant impact in increasing the electricity deficit and the cost of covering CPT;
- legislative changes in the balancing market (abolition of price limits for bids on the balancing market, abolition of the obligation to participate in the balancing market, application of the single settlement price on the balancing market, transition of the balancing market to the 15-minute settlement interval) have led to increases in the average price of energy purchased on the Balancing Market.

Congestion expenses

Congestions (grid constraints) are requests for transmission of electricity beyond the technical capacity limits of the grid, requiring corrective action by the transmission system operator, and occur when, during scheduling or real-time operation, the movement of power between two nodes or system areas leads to non-compliance with safety parameters in the operation of an electricity system.

There were no congestion expenses in Q3 2022.

Expenses regarding the electricity consumption within RET 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 increased with 4,576,161 in the third quarter of 2022 compared to the third quarter of 2021, growth owed to higher procurement prices for electricity, as well as to legislative changes applicable as of 01 July 2021, namely the provisions of ANRE Order 82/2021.

Inter TSO Compensation (ITC) expenses

They represent monthly payment liabilities / collection rights of each transmission & system operator (TSO). They are established under the compensation / settlement mechanism for the effects of using the electricity transmission grid (RET) for electricity transits in-between TSO-s of the 35 countries that adhered to such mechanism within ENTSO-E. In the third quarter of 2022, such expenses were 1,057,490 higher than in the same period of last year.

Expenses regarding technological system services

The Company procures such services from producers in order to provide and maintain safe operation of SEN as well as electricity quality while being transmitted at parameters required by applicable technical norms based on needs established by the National Power Dispatcher (organisational unit of the Company) liable to provide stability and safe operation of SEN.

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

The procurement of system technology services shall be carried out on a competitive basis through 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 the third quarter of 2022, the technological system services were contracted under regulatory regime only for reactive electricity according to ANRE Decision 1078/2020, being provided by the Company Generating Electricity in Hydropower Plants Hidroelectrica SA.

Expenses regarding technological system services decreased in Q3 2022 compared to Q3 2021 by 48,402,771, In Q3 2022, there was a high level of technological system services market concentration for secondary reserve (SR) technological system services.



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Balancing market expenses

The balancing market expenditure of 1,279,728,347 in Q3 2022 was 885,161,540 higher than in Q3 2021. These expenses result from notifications/realisations by participants in this market.

Period 01 January 2022-30 September 2022 compared to period 01 January 2021-30 September 2021

Expenses for the period 01 January 2022-30 September 2022 compared to the period 01 January 2021-30 September 2021 were as follows:

	01 January 2022 - 30 September 2022	01 January 2021 - 30 September 2021
Expenses regarding one's technological consumption	636,124,181	282,381,092
Congestion expenses	220,843	355
Expenses regarding electricity consumption in RET substations	29,539,486	14,588,051
Expenses regarding functional system services	30,721	15,404,999
Inter TSO Compensation (ITC) expenses	15,570,329	12,946,106
Total operational expenses	681,485,560	325,320,603
Expenses regarding technological system services	338,920,113	447,964,440
Balancing market expenses	2,774,593,938	850,692,688
Total	3,794,999,611	1,623,977,731

Expenses regarding one's technological consumption

They are expenses made in order to procure electricity from the free electricity market, namely the Centralised Market of Bilateral Contracts (PCCB), the Day-Ahead Market (DAM), the Balancing Market (PE) and the Intraday Market (PI) with a view to cover the technological consumption (CPT) within RET.

Such expenses were higher by 353,743,089 in the period January-September 2022 compared to January-September 2021, taking into account issues such as:

- Given its characteristic features the Own Technological Consumption (CPT / losses) in the Electricity Transmission Grid (RET) strongly depends on meteorological conditions, on the structure of nation-wide electricity generation and consumption, on the distribution of electricity flows in the internal transmission network and on the interconnection lines with neighbour power systems, its value being very little controllable or even not at all when the regional electricity market is interconnected and coupled;
- the average electricity price procured on the DAM was 1,370,18 lei, more than 3.6 times higher in the period January-September 2022 compared to the same period in 2021, with a peak of 2,399,85 lei/MWh in August 2022, significantly exceeding the values registered in recent years, The same trend is also observed at European level, which has a significant impact on the costs recorded for CPT coverage;
- Market unpredictability has manifested itself in steep and rapid price increases in the context of rising carbon emission certificate prices, insufficient electricity generation capacity to replace fossil fuel-based generation, especially coal and gas, in the context of market liberalisation and the armed conflict in Ukraine, lack of competition from generators and competition from suppliers to buy power in order to fulfil their contracts;
- Given that day-ahead markets are coupled under the CORE FB MC mechanism from June 2022 onwards, the increase in prices across Europe, driven by low hydropower, amid prolonged drought and very high temperatures across Europe, and the reduced availability of nuclear power plants in France has had a significant impact in increasing the electricity deficit and the cost of covering CPT;



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- price increases in the upstream markets, the application of the single settlement price in the balancing market, the transition of the balancing market to the 15-minute settlement interval, led to more than twice as high CPT costs for the balancing market compared to the same period last year.

Congestion expenses

During the period January-September 2022, congestion expenses amounting to 220,843 were registered, mainly determined by:

- the congestion registered in January 2022, which made it necessary to reduce production in certain wind power plants in the south-eastern part of the country, caused by the transit of power through the SEN from Bulgaria to Hungary and Ukraine, on top of which there was also a very high production in the EEC. These caused very high power flows on the 400 kV Smârdan - Gutinaş line and on several lines in Moldova and Transylvania, and in some cases also on the south-north direction of the SEN, i.e. exceeding the permissible values of flows through characteristic sections 5 and 6 of the SEN;
- Congestion registered in March 2022 and reflected in the accounting records as at April 2022 was caused by the operation of the energy market. Thus, in order to reduce the transit of power through the SEN from Bulgaria to Hungary and Ukraine, on top of which there was also a very high production in the EEC (more than 2 500 MW, a much higher value than the notified power), and in order to keep within the permissible value of the characteristic sections 5, 6 of the SEN, with very high power flows on the 400 kV Smârdan - Gutinaş line (about 900 MW) and on several lines in Moldova and Ardeal and on the south-north direction of the SEN, it was necessary to reduce wind power production in the Dobrogea area;
- Congestions registered in April 2022 and reflected in the accounting records in May 2022. Thus, following the commissioning of the 400 kV Cernavodă - Gura Ialomiței circ, 1 - Făcăeni provisionally tapped, in order to comply with the operational safety criteria, power reductions on grid congestion were necessary at the renewable power plants in the Dobrogea area;
- congestion registered in June 2022. Based on the triggering of the 400 kV Țânțăreni - Sibiu Sud, 220 kV Paroșeni - Târgu Jiu Nord, 220 kV Reșița - Timișoara circ, 2 (as the 220 kV Reșița - Timișoara circ, 1 was taken out of operation, scheduled), LEA 400 kV Țânțăreni - Bradu, LEA 400 kV Domnești - Urechești in hot weather conditions, power reductions/power increases on grid congestion were necessary at the power plants in the affected areas.

Expenses regarding electricity consumption within RET substations

Such expenses increased by 14,951,435 in the period January-September 2022 compared to January-September 2021, growth owed to indexed electricity procurement prices, as well as to legislative changes applicable beginning with 01 July 2021, namely the provisions of ANRE Order 82/2021.

Inter TSO Compensation (ITC) expenses

They represent monthly payment liabilities / collection rights of each transmission & system operator (TSO). They are established under the compensation / settlement mechanism for the effects of using the electricity transmission grid (RET) for electricity transits in-between TSO-s of the 35 countries that adhered to such mechanism within ENTSO-E. In the period January-September 2022, such expenses were 2,624,223 higher than in the same period last year.

Expenses regarding technological system services

The Company procures such services from producers with a view to provide and maintain safe operation of SEN and the quality of transmitted electricity at parameters requested by applicable technical norms according to the needs established by the National Power Dispatcher (organisational unit of the Company), liable to provide stability and safe operation of SEN.

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



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

In the period January-September 2022, technological system services were contracted under regulatory regime for reactive electricity according to ANRE Decision 1078/2020, being provided by the Company Generating Electricity in Hydropower Plants Hidroelectrica SA.

Expenses regarding technological system services increased in the period January-September 2022 compared to January-September 2021, by 109,044,327. Procurement prices of system services on the competitive market in the period January-September 2022 remained around the values:

- the average procurement price of the secondary regulation reserve with the value of 77.81 lei/hMW;
- the average procurement price of the fast tertiary regulating reserve, at increasing power, with the value of 39.52 lei/hMW;
- the average procurement price of the fast tertiary regulation reserve, at decreasing power, with the value of 9.41 lei/hMW,

There was also a high level of concentration in the technological system services market for secondary reserve (SR) technological system services during the period January-September 2022.

For the next period from 2022, it is expected that the procurement of technological system services through daily and one-way bids in accordance with the provisions of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019, the evolution of ANRE's regulatory framework for the electricity market, as well as the European context of evolution of the electricity market, will have a significant impact on the evolution of system service procurement costs at CNTEE Transelectrica SA level.

Balancing market expenses

The balancing market expenses amounting 2,774,593,938 in January-September 2022 were 1,923,901,250 higher than in January-September 2021. Such expenses result from the notifications/achievements of participants on this market.

15. Personnel expenses

	Quarter III 2022	Quarter III 2021
Salary expenses	59,073,963	54,204,115
Social expenses	4,704,906	4,351,661
Expenses on tickets granted to employees	2,756,040	1,971,660
Expenses for mandate contracts and other committees, commissions	1,029,026	950,523
Social security and protection expenses	4,535,119	3,693,125
Provisions constituted for salary expenses and assimilated	(1,705)	(1,768)
Other expenses	211,350	293,150
Total	72,308,699	65,462,466

The total personnel expenses in Q3 2022 increased compared to Q3 2021, mainly determined by the indexation of basic salaries, increased expenses on employee tickets (holiday vouchers were granted in 2022 and not in 2021), as well as social security and protection expenses.



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	01 January 2022 - 30 September 2022	01 January 2021 - 30 September 2021
Salary expenses	172,447,385	156,619,638
Social expenses	8,358,704	8,392,905
Expenses on tickets granted to employees	9,109,330	6,263,440
Expenses regarding employees' participation to the profit obtained in the previous year	-	3,825,122
Expenses for mandate contracts and other committees, commissions	3,001,160	2,988,089
Social security and protection expenses	13,603,049	12,772,050
Provisions constituted for salary expenses and assimilated	(2,567,877)	(13,208,810)
Other expenses	306,836	795,418
Total	204,258,587	178,447,852

The total personnel expenses for the period January-September 2022 shows an increase compared to the same period of the previous year, mainly determined by higher salary expenses, social expenses, expenses on tickets granted to employees (holiday vouchers and an increase of 10 lei in meal vouchers from September 2022), as well as the resume into revenues of part of the provisions made, together with the payment made for the OAVT certificates (OAVT = remunerations of executive and non-executive administrators consisting of the variable component related to OAVT packages allocated but not capitalised during the mandates executed in 2013-2017), payments made according to enforceable court rulings for the Company.

16. Other operational expenses

	Quarter III 2022	Quarter III 2021
Other expenses with services executed by third parties	25,330,607	20,673,998
Postal expenses and telecommunication fees	77,927	211,952
Royalties and rents	1,500,046	1,216,597
(Net) operational expenses on impairment allowances for current assets	79,051	15,205,535
Other expenses, of which:	10,923,896	9,602,249
- <i>Net) expenses with provisions for other operational expenses</i>	(497,656)	(7,501)
- <i>Expenses for OAVT-s according to court rulings</i>	-	-
- <i>Tax and charge expenses (ANRE fee, natural monopoly tax, other local taxes and charges)</i>	4,385,276	4,910,112
- <i>Expenses on electricity procured for administrative consumption</i>	997,588	666,840
- <i>Expenses on fines and penalties</i>	248,412	1,500
- <i>Other operating expenses</i>	5,790,276	4,031,298
Total	37,911,527	46,910,331

In the third quarter of 2022, these expenses decreased by 8,998,804 compared to the third quarter of 2021, mainly determined by:



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- The decrease in (net) operating expenses by recording impairment allowances for receivables for Next Energy Partners SRL, Romelectro SA, OPCOM SA, CET Govora SA, etc., impairment allowances for inventories, while resuming into revenues the impairment allowances for receivables (CET Govora SA, UCM Energy etc.);
- in the context of increased expenses items such as: expenses on energy procured for administrative consumption, expenses on fines and penalties from existing disputes etc.

	01 January 2022 - 30 September 2022	01 January 2021 - 30 September 2021
Other expenses with services executed by third parties	64,116,088	55,919,392
Postal expenses and telecommunication fees	299,666	565,466
Royalties and rents	4,461,880	3,867,981
(Net) operational expenses on impairment allowances for current assets	10,345,500	15,493,237
Other expenses, of which:	28,084,148	36,759,492
- (Net) expenses with provisions constituted for other operational expenses	(11,207,334)	(8,071,902)
- Expenses for OAVT-s according to court rulings	4,226,609	9,419,836
- Tax and charge expenses (ANRE fee, natural monopoly tax, other local taxes and charges)	13,775,443	17,263,022
- Expenses on electricity procured for administrative consumption	3,415,246	962,468
- Expenses on fines and penalties	1,567,586	2,851,306
- Other operational expenses	16,306,598	14,334,762
Total	107,307,282	112,605,568

In the period January-September 2022, such expenses decreased by 5,298,286 compared to the period January-September 2021, mainly determined by changes in the following expenses items:

- decrease in (net) operating expenses by recording impairment allowances for receivables for Next Energy Partners SRL, Romelectro SA, OPCOM SA, CET Govora SA etc., impairment allowances for inventories, while resuming into revenues the impairment allowances for receivables (CET Govora SA, UCM Energy etc.);
- increase in certain expenses items such as: expenses on energy procured for administrative consumption, other expenses on services executed by third parties etc.;
- Decrease in some expenses items such as: OAVT expenses, payments made according to enforceable law court rulings (the performance bonus associated to OAVT Certificates granted to former executive and non-executive members and not capitalised, remuneration according to mandate contracts concluded in 2013 – 2017), expenses related to taxes and charges, expenses for fines and penalties from existing disputes etc.;
- resuming into revenues provisions made for disputes.

17. Net financial result

	Quarter III 2022	Quarter III 2021
Interest revenues	1,456,997	528,776
Revenues from exchange rate differences	36,731,612	1,675,160
Other financial revenues	83,224	3,270
Total financial revenues	38,271,833	2,207,206



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Interest expenses	(1,400,935)	(1,051,079)
Expenses from exchange rate differences	(35,257,169)	(2,158,763)
Total financial expenses	(36,658,104)	(3,209,842)
Net financial result	1,613,729	(1,002,636)
	01 January 2022 - 30 September 2022	01 January 2021 - 30 September 2021
Interest revenues	1,939,789	1,892,562
Revenues from exchange rate differences	39,958,324	3,754,236
Other financial revenues	2,930,140	50,472
Total financial revenues	44,828,253	5,697,270
Interest expenses	(6,322,771)	(3,240,336)
Expenses from exchange rate differences	(39,608,201)	(5,310,320)
Total financial expenses	(45,930,972)	(8,550,656)
Net financial result	(1,102,719)	(2,853,386)

On 30 September 2022, the Company registered net financial result (loss) amounting to 1,102,719, lower by 1,750,667 compared to the same period of 2021. This was mainly influenced by the interest rates applied during the studied period, but also by the evolution of the exchange rate of the national currency against the foreign currencies in which the Company has contracted bank loans to finance investment plans.

On 30 September 2022, in the total amount of 6,322,771 (interest expense), the amount of 818,714 represents interest calculated on assets related to the rights of use of leased assets - buildings, as required by *IFRS 16 – Leasing Contracts*.

Other financial revenues mainly represents the execution of the performance security for works contract no. C260/2017 - Modernisation of 110 and 400(220) kV installations in Focșani-Vest substation in the amount of 1,282,950 and the countervalue of dividends received from subsidiaries in the amount of 1,537,971.

The exchange rate of the national currency recorded on 30 September 2022 compared to that recorded on 30 September 2021 was the following:

Currency	30.09.2022	30.09.2021
Lei / Euro	4.9490	4.9471
Lei / US Dollar	5.0469	4.2653

18. Disputes and contingencies**i) Disputes in progress**

The managerial team regularly analyses the ongoing disputes, and after consulting with legal representatives decides the need to create/cancel provisions for the amounts involved or their introduction into 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 (RAAN)**

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

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

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

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

Ruling 124/2017 of the Appeal Court of Craiova admitted the appeal filed by Transelectrica and cancelled sentence 127/2014 pronounced by Mehedinti Tribunal, while the case was referred for retrial to Bucharest Tribunal, Section VI Civil. On the docket of the Bucharest Tribunal the case was registered under no. **40444/3/2017** which by civil ruling 4406/04.12.2017 admitted the request filed by RAAN and ordered Transelectrica to pay the amount of 1,090,831.70 Lei. The sentence was appealed against, The Bucharest Court of Appeal’s resolution: it denied the appeal as groundless; final. It was ruled in open court on 13.12.2018.

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

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

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

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

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

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



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Transelectrica appealed within the legal time limit. On the 06.11.2019 term the Appeal Court Craiova decided rejecting Transelectrica's appeal as groundless; final, 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 26.03.2020 the hearing term was changed and the next one was set on 21.05.2020.

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

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

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

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

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

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

At the 02.06.2022 hearing, a term is granted for the continuation of the proceedings, i.e. for the valuation of the assets, the collection of claims and the completion of the other liquidation operations and the next term is set for 06.10.2022.

At the 06.10.2022 hearing, a term is granted for the continuation of the proceedings, i.e. for the valuation of the assets, the collection of claims and the completion of the other liquidation operations and the next term is set for **09.02.2023**.

• ROMANIAN 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 were appealed against before the Appeal Court of Bucharest and file **1658/2/2014** was constituted, pertaining to "cancellation of control deeds" – Conclusion 7/20.02.2014 issued by the Court of Audit.

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

At the High Court of Cassation and Justice, case number 1658/2/2014 became case number **2985/1/2021**, The term for the hearing is **24.11.2022**.

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 Bucharest Court of Appeal (2 files: 6576/2/2017 pertaining to cancelling the findings regarding item 13, and the measure decided in item II.13, term: 20.01.2021, settlement: the exceptions of inadmissibility claimed in the summons were rejected; the request was rejected as groundless - Transelectrica filed a second appeal on 19.11.2021, and casefile no. **6581/2/2017** on cancelling the findings from item 6, and the measure



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decided in item II.9, hearing term on 17.09.2021); on the docket of the High Court of Cassation and Justice (4 files: **6577/2/2017** on cancelling the findings from item 13, and the measure decided in item II.13, which became file **1614/1/2020**, hearing term set on 27.01.2022, dismissing the appeal filed by the claimant, Compania Națională de Transport al Energiei Electrice Transelectrica S.A., against Ruling no. 2678 of 30 December 2019 of the Bucharest Court of Appeal - Administrative and Fiscal Disputes Section VIII, delivered in Case no. 6577/2/2017, as groundless. Final, Case no. **6578/2/2017**, on cancelling the findings in paragraph 9, as well as the measure ordered in paragraph II.11, hearing date 28.06.2022, dismissing, as untimely filed, the appeal filed by the claimant Compania Națională de Transport al Energiei Electrice Transelectrica S.A, against the civil ruling no. 1566 of 23 April 2019, delivered by the Bucharest Court of Appeal - Administrative and Fiscal Disputes Section VIII, regarding the decision ordered on the, Dismisses the appeal brought by the claimant Compania Națională de Transport de Energiei Electrice Transelectrica S.A, against the same ruling, as regards the decision on the cancellation request, as groundless. Final, case no. **6574/2/2017** on cancelling the findings in paragraph 5.2, as well as the measure ordered in paragraph II.8, hearing date 19.10.2021- Dismisses the appeals filed by the recurrent-claimant Compania Națională de Transport de Energiei Electrice Transelectrica S.A, against Civil Ruling no. 1074 of 8 March 2018 and the Hearing conclusion of 11 January 2018, pronounced by the Bucharest Court of Appeal - VIII Administrative and Fiscal Disputes Section, as groundless. Three files were settled for good by cancellation request rejected by the Bucharest Court of Appeal and appeals denied by the High Court of Cassation and Justice (file 6583/2/2017 on cancelling the findings from item 5.1, and the measure decided in items II.7 and II.8 and file 6582/2/2017 on cancelling the findings from item 11, and the measure decided in item I.5; file 6580/2/2017 on cancelling the findings from item 10, and the measure decided in item II.12).

In January-July 2020 Romania's Court of Audit was in control in all Territorial Transmission Units of CNTEE Transelectrica, and in 25.05 – 27.08.2020 such audit continued in the Company's executive branch. CCR's audited issue was "control on the circumstances, development and administration of the state's public and private domains, and the legality of revenues achieved and expenses made in 2017-2019" in CNTEE Transelectrica SA.

The audit on the above-mentioned topic began 25.05.2020 in the Company's executive offices and was suspended by CCR because it started another audit pertaining to "control on the management of public resources during the emergency state". It began on 02.06.2020 and was completed on 26.06.2020.

The audit report elaborated by CCR auditors about the "control on the management of public resources during the emergency state", registered in the Company under no. 24225/26.06.2020 did not find deficiencies therefore no Decision was issued to provide measures to be taken.

When the audit on the administration of the state's public and private domains and on the legality of revenues achieved and expenses made in 2017-2019 has been completed 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 by Department IV, which decision contained 10 measures with completion term on 31.05.2021, but CCR upon Company request extended such term until 31.12.2021.

The Company filed objections and submitted Contestation 50090/26.11.2020, registered by the Court of Audit under no. 139775/26.11.2020, and requested it to cancel the measures. CCR's auditors examined and studied the Contestation submitted by the Company and Conclusion 2 of 10.03.2021 admitted cancelling only one measure of the 10 required.

On 02.04.2021, the Company filed an appeal for the cancellation of the administrative act, file registered at the Bucharest Court of Appeal under no. **2153/2/2021**. On the 10.12.2021 hearing, the CAB rejects the summon filed by the claimant COMPANIA NAȚIONALĂ DE TRANSPORT AL ENERGIEI ELECTRICE "Transelectrica" SA against the defendant ROMANIAN COURT OF AUDIT, as groundless. Dismisses the suspension request as groundless. With a right of appeal within 15 days of communication and with a right of appeal within 5 days of communication in respect of the head of claim concerning the suspension; the application for appeal to be filed with 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 an appeal before the Appeal Court of 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 the first semester of 2014.



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

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

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

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

At the following term on 12.05.2020 the file was suspended during the entire emergency state.

On 23.06.2020 the case was deferred to enable the parties to get acquainted with the answer to objections. Also, on the 21.07.2020 hearing term the case was deferred and the ruling decided to send a letter to the expert to show up in court.

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

On 16.11.2020 the case was deferred; settlement in brief: In accordance with article 230 Cpc it changed ex officio the hearing term established on 17.11.2020 to 11.01.2021. It decided quoting the parties by copy from the term changing conclusion; appeal right together with the substance issue.

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

CNTEE Transelectrica filed an appeal on 06.08.2021.

Hearing term at ICCJ:11.05.2022.

The appeal brought by the recurent-claimant Compania Națională de Transport al Energiei Electrice Transelectrica SA against ruling no. 362 of 6 October 2020, delivered by the Bucharest Court of Appeal - Administrative and Fiscal Disputes Section VIII, is dismissed as groundless, Definitive, Delivered in open court today, 25 May 2022.

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

• OPCOM

The Bucharest Court has registered the case no. **22567/3/2019**, which has as subject matter "claims", a case in which the Company is the claimant, the defendant being OPCOM SA.

By its summon, the claimant CNTEE Transelectrica SA requested the court to order in its ruling:



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- Compel the defendant OPCOM SA to pay the amount of 4,517,460 lei, relating to invoice number TEL 16 AAA No 19533/29.07.2016, representing the VAT equivalent of the contribution made by CNTEE Transelectrica SA to the share capital of OPCOM SA, issued on the basis of Loan Agreement No 7181RO/2003, a commitment to finance the investment project 'Electricity Market Project';

- Compel the defendant OPCOM SA to pay the amount of RON 1,293,778.27 relating to invoices TEL 19 T00 No 17/28.01.2019 and TEL 19 T00 No 131/10.07.2019, representing the statutory penalty interest calculated for non-payment on time of the invoice series TEL 16 AAA No 19533/29.07.2016.

- Compel the defendant OPCOM SA to pay the costs.

On the hearing of 03.07.2020, the court discussed the suspension request in case no. 22567/3/2019, made by OPCOM, and the case remained pending.

At the hearing of 17.07.2020, the court issued the following summary decision: suspends the case until the final resolution of the case no. 31001/3/2017, concerning the action for annulment of the Opcom AGM decision (to which Transelectrica is not a party and in which on 01.02.2021 the appeals filed were dismissed, the decision being final). With appeal for the entire period of suspension. Pronounced by making the decision available to the parties through the court registry today, 17.07.2020. Document: Order - Suspension 17.07.2020.

After the final settlement of **case no. 31001/3/2017**, CNTEE Transelectrica SA filed a request to reopen case no. 22567/3/2019, as the reason for the suspension of the case no longer existed. The Bucharest Court has resumed the case, setting a hearing date of 05.11.2021.

At that hearing, following the appeal, the court gave the parties the floor on the 'plea of limitation of the substantive right of action'. After the oral submissions of the parties on this objection, the court postponed the ruling and adjourned the hearing until 3 December 2021.

On 03.12.2021, the Bucharest Court of Justice rendered the following settlement in brief: "Admit the exception of the limitation of the substantive right of action, Dismisses the action as time-barred, With the right to appeal within 30 days from the date of communication, to be submitted to the Bucharest Court, Civil Section VI, Pronounced by making the decision available to the parties through the court registry, today, 03.12.2021, Document: Ruling 3021/2021 03.12.2021".

The company appealed.

The court dismisses the appeal as groundless. Orders the recurrent to pay the defendant, the sum of 11,325.21 lei by way of law suit expenses. With appeal within 30 days from the communication of the decision. Delivered today, 12 October 2022, by making the decision available to the parties through the court registry: Ruling 1532/12.10.2022.

The Bucharest Court of Justice is hearing case no. **24242/3/2021**, in which OPCOM SA is the claimant and CNTEE Transelectrica SA is the defendant.

This case concerns the nullity of the act - contribution in kind, materialized by intangible assets, trading platform - Commercial Exchange and Regional Electricity Exchange, financed by loans contracted by CNTEE Transelectrica SA from the BIRD, based on loan contract no. 7181RO/17.07.2003, and from CNTEE Transelectrica SA's own sources, which were carried out on the basis of service and deliverable contracts no.: P081406-O-C,78, P081406-O-C,125 and P081406-O-C,300/2005, materialized by AGEA Resolution no. 6/15.06.2016 and, subsequently, AGOA Resolution no. 2/25.05.2017 and AGOA Resolution no. 7/24.05.2018.

On the 11.04.2022 hearing, the court discussed the objections raised by CNTEE Transelectrica SA in its statement of defence. The evidence proposed to be taken in this case was also discussed in this hearing. The Court adjourned the case to the term set for **22.11.2022**, in order to administer the evidence of the financial-accounting expert's report to be carried out in this case.

• CONAID COMPANY SRL

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



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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, 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 file was registered under no. 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 granted within 30 days from notification. The appeal was filed to the Appeal Court Bucharest, Section VI Civil and the court clerk office notified it on 23.11.2017.

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

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

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

It was deferred in order to bring the expertise evidence and a new term was established on 21.01.2020.

On 21.01.2020 the case was deferred provide the expertise and the next term was established on 31.03.2020.

On the 31.03.2020 term the settlement in brief was: Lawfully suspended according to article 42 para 6 from the Decree 195/2020 of Romania’s president instituting the emergency state on Romanian territory, during the entire emergency period.

After several deferrals, the next hearing term is set for 28.09.2022 for the expert evidence.

On 28.09.2022, the case was deferred for lack of reply to the objections and the next hearing term is on **07.12.2022**.



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• ROMENERGY INDUSTRY

File 2088/107/2016 on the docket of Alba Tribunal pertained to “Bankruptcy & request to be admitted in the creditors’ list”. Transelectrica filed request to be recorded in the creditors’ list with 16,112,165.18 mill Lei, and the receivable was admitted and registered 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 27.01.2020 term the verification was established on 11.05.2020 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 11.05.2020 judgment was lawfully suspended during the emergency state instituted in Romania.

On the 22.06.2020 term the case was deferred; settlement in brief: the report was admitted about the funds obtained from liquidating the debtor’s assets and the distribution plan of 03.06.2020.

On the 05.10.2020 term the case was deferred; settlement in brief: term was established on 18.01.2021 to continue the bankruptcy procedure by capitalising the assets and recovering the receivables.

On the 18.01.2021 term the case was deferred; settlement in brief: Report 1334 was approved about the funds obtained from liquidating the debtor’s assets and Plan 1335 for funds distribution.

On the 27.09.2021 term a new hearing term was set on 31.01.2022 to continue the bankruptcy procedure by capitalising the assets and recovering the receivables.

On the 27.09.2021 term a new hearing term was set on 31.01.2022 to continue the bankruptcy procedure by capitalising the assets and recovering the receivables.

On the 31.01.2022 term, a new hearing term was set on 16.05.2022 to continue the bankruptcy procedure by capitalising the assets and recovering the receivables.

On the 16.05.2022 term, a new hearing term was set on 19.09.2022, to continue the bankruptcy procedure by capitalising the assets and recovering the receivables.

On the 19.09.2022 term, a new hearing term was set on **12.12.2022** to continue the bankruptcy procedure by capitalising the assets and recovering the receivables.

• MUNICIPALITY OF REȘIȚA

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:

- 2,129,765.86 lei, representing rent for the land temporarily taken up from the forest fund in 2015;
- 2,129,765.86 lei, representing the land rent for 2016;
- 2,129,765.86 lei, representing the land rent for 2018;
- 2,129,765.86 lei, representing the land rent for 2019;
- 2,129,765.86 lei, representing the land rent for 2020;
- 2,129,765.86 lei, representing the land rent for 2021;
- Legal penalty 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 is admitted of territorial incompetence of Bucharest Tribunal. It declined the settlement competence of this case in favour of Caras-Severin Tribunal. It ascertains 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;



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pronouncement will take place by placing the settlement at the parties' disposal through the court clerk; Ruling 2376/25.10.2019.

On the 16.07.2020 term the High Court of Cassation and Justice issued ruling 1578 and established the case settlement competence in favour of Caras Severin Tribunal, Section I civil.

At the term on 16.11.2020 the court deferred the case and granted time to study the writs submitted on this hearing term to the case file by the representative person of CNTEE Transelectrica SA, setting a new term on 22.03.2021.

On the 22.03.2021 term settlement in brief: It suspended judging the summons filed by claimant Resita City through the Mayor in contradiction with the defendant National Power Grid Company Transelectrica SA pertaining to claims, according to article 413 para (1) pt, 1 Civil Procedural Code, Appeal granted during the entire judgment suspension, to the higher instance.

The case was suspended until the final decision in case no. 3154/115/2018* of the Court of Caras Severin.

• ANAF

In 2017 a general fiscal audit was completed that had started in Transelectrica SA on 14.12.2011, control targeting the interval December 2005 – December 2010.

The general fiscal audit began on 14.12.2011 and ended on 26.06.2017, date of the final discussion with Transelectrica SA. When the audit has ended ANAF – DGAMC established additional fiscal obligations payable by the Company, namely income tax and VAT, as well as accessory fiscal liabilities (interest/delay indexations and penalties) with respect to technological system services (STS) invoiced by energy suppliers, considered non-deductible after the fiscal audit.

In accordance with the taxation decision F-MC 439/30.06.2017 in total sum of 99,013,399 Lei, ANAF – DGAMC established additional fiscal liabilities payable by the Company, amounting to 35,105,092 Lei, as well as accessory fiscal ones (interest/delay indexations and penalties), amounting to 63,908,307 Lei.

ANAF's Tax inspection report mainly 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 in the Millennium Business Centre from 2-4, Armand Calinescu Street, Bucharest 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 declination of competence file **8993/299/2018** was registered on the docket of Law Court of Bucharest 1 whereby the Company contested the enforcement performed according to 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 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) pt, 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.



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File **1802/2/2018** is on the Appeal Court docket whereby the Company contested the administrative fiscal Decision F-MC 439/30.06.2017.

On the 06.11.2018 session term the court admitted the administration of the expertise evidence, in the accounting - fiscal specific domain, Hearing scheduled for: 12.05.2020.

At CAB's hearing term on 21.07.2020 pronouncement was deferred.

On 30.07.2020 the case was resumed on the docket for additional explanations.

At the 20.10.2020 term it admitted in part the request with the following settlement in brief: the suspended requests were partly admitted. Ruling 122/13.03.2018 was partly cancelled with respect to settling the contestation filed against the Taxation Decision F-MC 439/30.06.2017 issued by the National Agency of Fiscal Administration, General Directorate Settling Contestations; Taxation Decision F-MC 439/30.06.2017 issued on 12.07.2017 issued 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 Fiscal Inspection Report F-MC 222 concluded on 30.06.2017, which were used as grounds in issuing the taxation decision, meaning that: - it removed the obligation to pay the profit tax amounting to 18,522,280 Lei, the VAT amounting to 5,694,636 Lei and fiscal accessories pertaining to such main fiscal debits in quantum of 48,436,653 Lei, and the fiscal liabilities established for the 349 fiscal invoices of special regime found as missing from the claimant's management; - it cancelled the non-deductible nature of 27,001,727 Lei in the calculation of taxable income, which represent system technological services invoiced by electricity suppliers, considered as non-deductible after the fiscal audit, and it compelled payment of the main fiscal liabilities and accessories associated to such amount; - it cancelled the non-deductible nature of 343,629,91 Lei in the calculation of taxable income, representing "services for weeds removal" and it compelled payment of main fiscal receivables and accessories related to such amount; - it cancelled the non-deductible nature of 230,685,491 Lei in the calculation of taxable income, representing expenses with promotional and protocol products and the payment liability of main fiscal receivables related to such amount; - it cancelled the non-deductible nature of VAT in quantum of 46,417,1 Lei associated to 343,629,91 Lei representing "weeds removal services" and the payment liability of main fiscal receivables related to such amount; - it cancelled the non-deductible nature of VAT in quantum of 37,693,88 associated to 230,685,49 Lei, representing expenses with promotional and protocol products and the payment liability of main fiscal receivables and accessories related to such amount; - it cancelled the mention regarding the obligation of the Transmission Branch Sibiu within CNTEE Transelectrica SA to register 576,846,80 Lei as taxable revenue on 30.06.2010 at the latest, date when the verified unit was accepted to be recorded in the creditors' table by such amount, mention regarding the nature of taxable revenue when calculating the profit for 576,846,80 in accordance with the provisions of article 19 para 1 from Law 571/2003 on the Fiscal Code, with later amendments and additions, corroborated with pt, 23 let, d of HG 44/2004 including the Methodological Norms to apply Law 571/2003; the chapter regarding the income tax, namely Chapter VII Accounts operation of Order 3055 / 29 October 2009 approving the Accounting Regulations complying with European directives and the payment liability of main fiscal receivables and accessories related to such amount; - in the Minutes it cancelled the ascertainment with respect to "determining the deductible value added tax to a lower value than that registered by the claimant, thus resulting a difference in sum of 13,141 Lei" (annex 15), and the payment liability of main fiscal receivables and accessories related to such amount; - it cancelled the payment liability of delay penalties which have a sanctioning juridical regime, calculated for more than 6 months from the beginning date of fiscal inspection with respect to the main fiscal liabilities maintained by the law court in this ruling, as established by Taxation Decision F-MC 439/30.06.2017 issued on 12.07.2017 by the the National Agency of Fiscal Administration, General Directorate Managing Large Tax Payers, Taxation Decision F-MC 439/30.06.2017 issued by the the National Agency of Fiscal Administration, General Directorate Managing Large Tax Payers and Decision 122/13.03.2018 on settling the contestation filed against the Taxation Decision F-MC 439/30.06.2017 issued by the National Agency of Fiscal Administration, General Directorate Settling Contestations. It maintained the other provisions of Decision 122/13.03.2018 on settling the contestation filed against the Taxation Decision F-MC 439/30.06.2017 issued on 12.07.2017 by the the National Agency of Fiscal Administration, General Directorate Managing Large Tax Payers and Taxation Decision F-MC 439/30.06.2017 issued by the the National Agency of Fiscal Administration, General Directorate Managing Large Tax Payers. It denied the other suspended requests as groundless. It denied as groundless the request to grant law court expenses consisting of the stamp judiciary fee. It compelled the defendants to jointly pay the claimant the law court expenses amounting to 4,000 Lei, representing fee for the execution of accounting-fiscality expertise, proportional to the request admittance. **Appeal right granted within 15 days from communication, to be submitted to the Appeal Court Bucharest, Ruling 382/20.10.2020.**



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The parties filed an appeal in March 2022.

On 12.04.2022, the Bucharest Court of Appeal defers the case to 10.05.2022, in order to give the claimant the opportunity to take cognizance of the content of the statement of defence.

At the hearing of 24.05.2022, CAB rejects as groundless the application for clarification and supplementing of the operative part. The application for rectification of the material error is granted in so far as it states that the amounts of money in respect of the 349 tax invoices, as set out in the contested tax decision, are to be stated to be correct by way of principal and ancillary tax liabilities. Orders that the material error be corrected by removing the incorrect name of the applicant from the contested ruling. Appeal within 15 days of notification.

The parties appealed. The case is in the filter procedure at the ICCJ.

• GRAND VOLTAGE

Case No. **17976/3/2021**, registered on the Bucharest Law Court, concerns the application of summons, by which the claimant Grand Voltage requests that the defendant CNTEE Transelectrica SA be compelled to pay compensation for the damage caused to the undersigned in the amount of EUR 6,125,822.13 lei as a result of the culpable non-fulfilment of the obligations related to the Works Contract no. C 111/23,05,2018 concerning the "Connection of the 100kV Isaccea -Varna LEA and the 400 kV Isaccea-Dobruja LEA in the 400 kV Medgidia Sud Station Stage II-LEA 400kV d.c. Connections Medgidia Sud Station".

Hearing term: 09.05.2022 - expert report missing.

At the hearing on 23.05.2022, the decision in brief: rejects the defendant's application for the removal of expert Pavel Violeta as groundless. With appeal together with the merits. Delivered by making the decision available to the parties through the court registry today, 23.05.2022.

At the hearing on **25.07.2022**, TB dismisses the action as groundless. With right of appeal within 10 days of communication. The request for appeal shall be submitted to the Bucharest Law Court - Section VI, under penalty of nullity. Pronounced by making the decision available to the parties through the court registry today, 25.07.2022, Document: Decision 1812/2022 25.07.2022.

• OTHERS

The Company is involved in significant disputes specially to recover trade receivables (e.g.: Next Energy Partners, Petprod SRL, Total Electric Oltenia SA, Regia Autonomă de Activități Nucleare, Romenergy Industry SRL, Energy Holding SRL, UGM Energy Trading SRL, CET Iasi, CET Bacău, CET Govora, CET Brasov, Elsaco Energy SRL, Arelco Power SRL, Arelco Energy SRL, Menarom PEC SA Galati and others).

The Company registered impairment allowances for value losses in case of clients and other litigated receivables, as well as for bankrupt clients.

At the same time the Company is involved in disputes with former members of the Management and Supervisory Boards regarding the mandate contracts concluded between them and the Company, The Company has made provision for these disputes.

(ii) Contingencies

As at 30 September 2022, **contingent liabilities amount to 36,303,031 lei**. These relate to disputes concerning claims for additional costs following the increase in the minimum wage in the construction sector for investment contracts.

- *File No 20780/3/2020 - claimant ENEROMONTAJ SA (7,092,389)*

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

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

After several postponements of the hearings due to the absence of the expert report, the next term was set for 20.04.2022.

At the hearing of 20.04.2022, the TMB admits the request for annulment of the forensic expert's report made by the claimant ELECTROMONTAJ SA, It orders the annulment of the forensic technical expertise report, specialising in



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accounting, drawn up by Mrs OPRESCU RUXANDRA and the carrying out of a new expertise with objectives:

- determine the additional costs incurred by the claimant ELECTROMONTAJ SA as a result of the increase in the minimum wage in the construction sector to the amount of 3,000 lei/month for work carried out under works contract No C54 of 27.02.2018 for the period from January 2019 to January 2021;
- to determine the additional costs arising from the increase in the minimum wage in the construction sector to the amount of 3,000 lei/month for the work to be carried out under works contract No C54 of 27.02.2018, from February 2021 until completion of the work.

The hearing term is set for 15.09.2022.

On 15.09.2022, the Bucharest Court of Appeal defers the case to **24.11.2022**, the solution: due to the lack of expert report.

- *File No 25896/3/2020 - Claimant Electromontaj București (10,000,000)*

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

Hearing term: 25.08.2022 - submission of expert report.

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

Hearing term: **08.11.2022**.

- *File No 27001/3/2021 - Claimant Romelectro (3,523,710)*

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

At the hearing term of 09.09.2022, another date is set for **16.12.2022** to continue the hearings.

- *Case No 22368/3/2021 - Claimant Romelectro (2,275,653)*

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

At the hearing on 24 June 2022, dismisses the application as groundless, With appeal within 10 days of service. The application for appeal shall be lodged with the Bucharest Court - Civil Section VI, The ruling is not drafted.

- *File No 30801/3/2021 - Claimant Romelectro (2,271,075)*

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

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

- Please clarify to the expert whether Romelectro meets the condition set out in Article 66 of GEO 114/2018, i.e. whether 80% of Romelectro's turnover is generated from construction works, both in the year preceding the reference period (2018) and in the reference period (2019);
- to calculate the expert the cost difference generated by the increase in the salaries of the human resources actually employed by Romelectro in carrying out the work related to Contract No C145/2018, in the reference period and the first two months preceding it, respectively:
 - a) Specify for each employee (human resource actually employed) separately whether his/her gross salary was below 3000 lei/month or higher in November and December 2018;
 - b) When the HR salary was increased to 3000 lei/month;
 - c) What is the difference between the previous salary and the salary imposed by GEO 114/2018;
 - d) Whether during the period 01.11.2018 – 31.12.2018, Romelectro reduced the salaries of the human resources



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employed;

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

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

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

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

At the hearing of 14.10.2022, the decision in brief: In view of the absence of the expert report, defers the case and set the hearing term for **13.01.2023**.

- *Case No 37332/3/2021 - Claimant Romelectro (4,433,591)*

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

At the deadline of 22 June 2022, the Bucharest Court admits the plea of untimeliness, Annuls the application as untimely. With appeal within 10 days of communication.

- *File No 8193/3/2022 - Claimant Tempus Sev (2,437,253)*

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

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

Hearing term for ruling: **09.12.2022**.

- *Case No 8440/3/2022 - Claimant Tempus Sev (2,437,253)*

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

At the Hearing term of 13.09.2022 the case was deferred to **08.11.2022**, in order to take the evidence requested.

- *File No 8442/3/2022 - Claimant Tempus Sev (1,429,832)*

The subject matter of the case is the execution of the administrative contract for the contract C80/2018 - Refurbishment of the 220/110kV station Hășdat.

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



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- *Case No 527/1285/2021 - Claimant ELM Electromontaj Cluj (402,274)*

The subject matter of the file is claims - GEO 114/2018 for contract C4/6882/21.01.2019 - Modernization of Vetis station. The solution of the Cluj Tribunal: The request brought by the claimant ELM ELECTROMONTAJ CLUJ S.A, is granted, in contradiction with the defendant CNTEE, "TRANSELECTRICA" SA. Compels the defendant to conclude with the claimant an additional deed to the Works Contract no. C4/6882/21.01.2019, having as object the modification of the contract price as a result of the increase of the minimum gross basic salary per country guaranteed in payment for the construction sector, by art. 71 of OUG no. 114/2018, according to the statements of works settled as from May 2020 and until the completion of the works related to the contract. Orders the defendant to pay to the applicant the sum of 402,273.61 lei (excluding VAT), representing the difference between the costs of the workmanship tendered and the costs of the workmanship executed and accepted under Works Contract No C4/6882/21.01.2019, relating to the statements of works drawn up for the period from May 2020 to 31 May 2021, as well as further, in the same manner, to pay the differences between the costs of the workmanship tendered and the costs of the workmanship executed and accepted until the acceptance on completion of the works. Compels the defendant to pay to the claimant the sum of 13,666.70 lei in late payment penalties of 0.02%/day, calculated on the principal debt from the due date until 31.05.2021, as well as the late payment penalties calculated thereafter until full payment of the principal debt. Orders the defendant to pay to the claimant the sum of 8,436.06 lei in respect of the costs of the proceedings and the legal stamp duty. With a right of appeal within 10 days from the date of notification, the application for appeal to be 'submitted with the Cuj Specialised Court. Pronounced by placing the decision at the disposal of the parties through the court registry today, 22 October 2021. The company appealed.

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

- *Control Ministry of Finance - General Directorate for Economic and Financial Inspection*

As of 06.09.2022, the control action of the Ministry of Finance - General Directorate of Economic and Financial Inspection has been resumed at the Company's premises. This control action was initiated on the basis of Service Order No. 65/15.09.2017, as well as Service Order No. 19/12.06.2018 and suspended on 17.07.2018, according to Address No. 261775/17.07.2018.

The objectives of the economic and financial inspection are set out below:

- ✓ verification of compliance with the provisions of OG 26/2013 on strengthening financial discipline at the level of certain economic operators in which the State or administrative-territorial units are sole or majority shareholders or hold directly or indirectly a major stake, for the period 2012 - 2016;
- ✓ Verification of compliance with the provisions of GEO no. 109/2011 on corporate governance of public enterprises, for the period 2020 - day;
- ✓ verification of compliance with the provisions of GEO no. 64/2001 on the distribution of profits to national companies, national companies and companies with full or majority state capital, as well as autonomous companies, for the period 2012 - 2016;
- ✓ Verification of compliance with the provisions of OG no. 57/2019 on the Administrative Code, for the period 2020 - day;
- ✓ verification of compliance with the provisions of GEO 119/1999 on internal/managerial control and preventive financial control, for the period 2020 - day.

At present there are on the docket disputes with Romania's Court of Audit with respect to their audits performed in 2013, 2017 and 2020, described under Disputes.

Taking into account the findings of the Court of Auditors recorded in its Decisions following its audits of the quarterly, half-yearly and annual financial statements, we specified in the financial statements elaborated each quarter, semester and year there may be possible to result additional fiscal liabilities for payment, but which cannot be accurately determined now according to the provisions of Standardul IAS 37 - Provisions, contingent liabilities and contingent assets.



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19. Related parties*i) Transactions with the Company-owned subsidiaries*

Entity	Country of Origin	30 September 2022 % of shares	31 December 2021 % of shares
SMART SA	Romania	100	100
TELETRANS SA	Romania	100	100
ICEMENERG SA *)	Romania	-	-
OPCOM SA	Romania	97.84	97.84
FORMENERG SA	Romania	100	100
ICEMENERG SERVICE SA **)	Romania	100	100

The net value of shares held by the Company in its subsidiaries is 78,038,750 at both 30 September 2022 and 31 December 2021.

The gross value of the Company's shareholdings into its subsidiaries is as follows:

SMART SA

Company SMART SA seated in Blvd. Magheru 33, Bucharest 1 and headquarters in the working location of Blvd. Gheorghe Sincai 3, Formenerg Building, 1st floor, Bucharest 4, București, has as main business the maintenance of the transmission-dispatcher system and was established under HG 710/19.07.2001 on 1 November 2001.

On 30 September 2022, the share capital of Co. SMART SA was of 38,528,600 divided into 3,852,860 nominative shares, each one worth 10 Lei, fully subscribed and paid by the Company.

TELETRANS SA

Company TELETRANS SA seated in Blvd. Hristo-Botev 16 - 18, Bucharest 3 with headquarters in the working location of Stelea Spătarul Street, no. 12, sector 3, Bucharest, has as main business maintenance services of process and managerial information, specific telecommunication and information technology services within RET, telephone, data transmissions and was established by AGA Decision 3/2002.

The share capital on 30 September 2022 is 6,874,430, fully subscribed and paid up.

ICEMENERG SA

Subsidiary Company Energy Research and Modernising Institute ICEMENERG SA seated in Blvd. Energeticienilor 8, Bucharest 3 has as main business the research and development of physical and natural science, innovation, studies, development strategies, design, urbanism, engineering and other technical services, being established under HG 1065/04.09.2003.

On 30 September 2022 in the Company's accounting books the share capital of Subsidiary Icemenerg SA was of 1,083,450 fully subscribed and paid.

*) On 07.04.2014 the National Office of the Trade Register admitted file 121452/03.04.2014 pertaining to cancelling the Subsidiary Energy Research and Modernising Institute ICEMENERG SA Bucharest, Order 123/13.03.2014 (registration deed also licensing the operation) enabled recording the 'National Energy Research-Development Institute Bucharest' with the Trade Register (HGR 925/2010). The Company filed complaint against the ORC director's resolution enabling registration of cancellation for Subsidiary ICEMENERG SA Bucharest in the trade register.

Bucharest Tribunal, Section VI Civil by ruling 3569/14.07.2014 pronounced under file 15483/3/2014, where the Company



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was in contradiction with defendants Energy Research and Modernising Institute Icemenerg SA Bucharest and the National Energy Research-Development Institute Icemenerg Bucharest, denied the Company's complaint on grounds that HG 925/2010 was not abrogated until the cancellation date with the ORC. The Appeal Court notified on 24.02.2015 the settlement pronounced under file 15483/3/2014, namely Ruling 173/2015, denying the appeal of CNTEE Transelectrica SA as groundless, such decision being final.

Transelectrica SA filed cancellation contestation against Ruling 173/2015 pronounced by the Appeal Court Bucharest, under file 1088/2/2015 found on the docket of the Appeal Court Bucharest, Section VI Civil, with hearing term on 13.05.2015. On 13.05.2015 Ruling 777/2015 of the Appeal Court Bucharest denied as groundless the cancellation contestation, such decision being final.

In the meetings of 28.03.2016 and 30.08.2016, the AGEA did not approve the reduction of the share capital of CNTEE Transelectrica SA by the amount of 1,084,610, representing the subscribed and paid-up share capital of the subsidiary ICEMENERG SA Bucharest, by reducing the Romanian State's shareholding in the share capital of CNTEE Transelectrica SA, in application of the provisions of GD no. 925/2010.

The company recorded in 2015 an impairment allowance in the amount of 1,083,450 for the shares held in the subsidiary Institutul de Cercetări și Modernizări Energetice - ICEMENERG SA Bucharest which was written off.

OPCOM SA

Company OPCOM SA seated in Blvd. Hristo Botev 16-18, Bucharest 3, with legal personality has as main business the organisation, administration and supervision of the electricity market, being established under HG 627/2000.

On 30 September 2022, the share capital of OPCOM SA was of 31,366,090 Lei, representing a number of 3,136,609 nominative shares of 10 Lei each and a participation quota of de 97.84% from CNTEE Transelectrica SA to benefits and losses.

FORMENERG SA

Company FORMENERG SA seated in Blvd. Gh. Sincai 3, Bucharest 4, with legal personality has as main business the initial permanent professional training in all activity domains of personnel in the energy sector, as well as of other beneficiaries, being established under AGA Decision 33/2001.

The share capital on 30 September 2022 is 1,948,420, fully subscribed and paid up.

ICEMENERG SERVICE SA

Company ICEMENERG SERVICE SA seated in Blvd. Energeticienilor 8, Bucharest 3 has as main business the concept, production, implementation, repair, modernisation and marketing of apparatuses, equipment and specific installations.

The share capital on 30 September 2022 is 493,000, fully subscribed and paid up.

**) By GD no. 2294/09.12.2004, it was approved the transfer of the package of shares held by the Trading Company Subsidiary Energy Research and Modernising Institute ICEMENERG SA Bucharest into the Trading Company Subsidiary ICEMENERG-SERVICE SA Bucharest to the National Power Grid Company Transelectrica SA.

In 2016 the Company registered impairment allowance of 493,000 for the shares held in Subsidiary ICEMENERG SERVICE SA.

On 09.06.2017 Bucharest Tribunal, Section VII Civil ordered the bankruptcy by means of simplified procedure of debtor Company Subsidiary ICEMENERG SERVICE SA, and thus designated Solvendi SPRL in capacity of provisional judiciary liquidator.

On 27.04.2021, the Special Administrator of the Subsidiary ICEMENERG Service SA informs that on 23.04.2021, following the bid, the assets of the Subsidiary ICEMENERG Service SA, both movable and immovable, were sold en bloc, the buyer being Portland Trust Developments Five SRL.



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Balances with subsidiaries held by the Company were as follows:

AFFILIATED ENTITY	Trade receivables*)		Trade liabilities	
	30 September 2022	31 December 2021	30 September 2022	31 December 2021
SMART SA	411,040	713,183	18,075,144	8,944,881
TELETRANS SA	133,579	145,830	16,575,099	13,435,678
FORMENERG SA	-	-	-	-
OPCOM SA	537,959,731	634,763,661	521,153,703	627,502,394
TOTAL	538,504,350	635,622,674	555,803,946	649,882,953

*) Trade receivables are provided at gross values.

Transactions with the Company's subsidiaries during the reporting period are detailed as follows:

AFFILIATED ENTITY	Sales			
	Third quarter 2022	Third quarter 2021	9 months 2022	9 months 2021
SMART SA	236,004	114,580	869,135	444,806
TELETRANS SA	173,166	86,343	1,098,146	254,229
FORMENERG SA	-	-	-	-
OPCOM SA	2,756,445,228	393,016,443	5,381,731,438	701,674,346
TOTAL	2,756,854,398	393,217,366	5,383,698,719	702,373,381

AFFILIATED ENTITY	Procurements			
	Third quarter 2022	Third quarter 2021	9 months 2022	9 months 2021
SMART SA	23,999,434	29,364,063	74,098,510	62,536,781
TELETRANS SA	9,733,537	9,805,683	32,184,609	25,954,032
FORMENERG SA	-	-	286	-
OPCOM SA	666,431,875	278,926,670	1,593,465,522	745,888,139
TOTAL	700,164,846	318,096,416	1,699,748,927	834,378,952

20. Credit risk

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

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



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

	30 September 2022	31 December 2021
Financial assets		
Net trade receivables	2,422,629,989	2,049,045,366
Other net receivables and down payment to suppliers	910,639,914	824,401,867
Receivable VAT	316,853,779	122,134,375
Cash and cash equivalents	381,877,064	252,225,142
Other financial assets	-	-
Total	4,032,000,746	3,247,806,750

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

	Gross value 30 September 2022	Impairment allowance 30 September 2022	Gross value 31 December 2021	Impairment allowance 31 December 2021
Not reached to maturity	2,332,542,965	451,826	1,935,282,443	43,381
Expiry date between 1 - 30 days	934,555	2,119	22,558,019	-
Due date exceeded from 31 to 90 days	21,454	6,840	(343,107)	-
Due date exceeded, 90 to 180 days	356,660	35,017	13,072,815	12,540,751
Due date exceeded, 180 to 270 days	203,013	16,650	92,051	22,582
Due date exceeded, 270 to 365 days	8,103	-	622,364	74,967
More than one year	233,815,944	144,740,253	222,868,727	132,426,265
Total	2,567,882,694	145,252,705	2,194,153,312	145,107,946

The ageing of **other receivables** at the date of the statement of financial position is shown below:

	Gross value 30 September 2022	Impairment allowance 30 September 2022	Gross value 31 December 2021	Impairment allowance 31 December 2021
Not reached to maturity	1,196,792,200	26,345	915,346,210	8,469,053
Expiry date between 1 - 30 days	903,044	-	197,143	14
Due date exceeded from 31 to 90 days	1,486,166	242,547	11,358,697	2,107,673
Due date exceeded, 90 to 180 days	4,155,455	95,017	1,350,180	483,743
Due date exceeded, 180 to 270 days	9,922,620	9,981,662	1,170,464	482,365
Due date exceeded, 270 to 365 days	10,960,634	10,830,149	3,420,760	970,217
More than one year	80,367,486	55,918,192	80,611,154	54,405,301
Total	1,304,587,605	77,093,912	1,013,454,608	66,918,366



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Transelectrica's policy is to record 100% impairment adjustments for loss of value for customers in litigation, insolvency and bankruptcy and 100% of trade and other receivables outstanding for more than 180 days, excluding overdue receivables arising from the support scheme.

The highest impairment adjustments at 30 September 2022, calculated for trade receivables and related penalties, were recorded for CET Govora (25,136,400), Eco Energy SRL (24,736,066), Petprod SRL (23,539,650), Arelco Power (14,788,022), Romelectro SA (14,382,452), Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), GETICA 95 (12,540,731), Elsaco Energy (9,276,118), RAAN (8,516,707).

In order to recover the receivables adjusted for depreciation, the Company has taken the following measures: notifications, SGB executions, legal action, registration of the receivables, request for clarification from ANAF (for VAT receivable from Opcom) etc.

The evolution of **bad debt impairment adjustments** is presented as follows:

	30 September 2022	31 December 2021
Balance on 1 January	145,107,946	134,733,880
Recognition of impairment allowances	1,465,364	14,686,349
Reversal of impairment allowances	1,320,605	4,312,283
Balance at end of the interval	145,252,705	145,107,946

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

	30 September 2022	31 December 2021
Balance on 1 January	66,918,366	56,855,137
Recognition of impairment allowances	10,974,949	14,780,396
Reversal of impairment allowances	799,403	4,717,167
Balance at the end of the interval	77,093,912	66,918,366

Financial assets that may subject the Company to collection risk are mainly trade receivables and cash and cash equivalents. The Company has put in place a number of policies to ensure that the sale of services is made to customers with adequate collection by including in commercial contracts an obligation to provide financial guarantees. The amount of receivables, net of adjustments for impairment, represents the maximum amount exposed to collection risk. The collection risk on these receivables is limited as these amounts are mainly due from state-owned companies.

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

21. Later events

- *Signing of grant contracts from the Modernisation Fund*

On 10 October 2022, Transelectrica's management signed in an official setting, at the Romanian Government, a new grant contracts from the Modernisation Fund worth €424 million for the implementation of 9 national energy infrastructure development projects.

The high level of this grant funding will have a positive effect on the Company's profitability on long term. At the same time, the financing of investment objectives through non-reimbursable funds ensures an increase in the Company's liquidity indicators.



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The major benefits of these investments will materialize relevant indicators such as: increasing the transmission capacity of RET by about 1700 MW, building about 480 km of new overhead power lines, expanding 5 power stations with a voltage level of 400 kV, upgrading the Alba Iulia station to digital concept - a first for Romania -, increasing the interconnection capacity by 600 MW (cumulated on the borders with Serbia and Hungary), implementing power quality monitoring systems in 15 stations, as well as optimizing and monitoring overhead power lines through digital systems.

- *Extension of the terms of office of the provisional members of the Executive Board*

At the meeting held on 14 October 2022, the Supervisory Board of the Company, with reference to the expiry on 24.10.2022 of the terms of office of the provisional members of the Management Board, decided to extend the terms of office of the provisional members of the Management Board for 2 months starting from 25.10.2022, pursuant to Article 642 of GEO no. 109/2011 on corporate governance of public companies, as amended, for:

- ✓ Gabriel ANDRONACHE
- ✓ Ștefăniță MUNTEANU
- ✓ Cătălin-Constantin NADOLU
- ✓ Florin-Cristian TĂTARU
- ✓ Bogdan TONCESCU

but no later than the completion of the selection procedure in accordance with the provisions of GEO no. 109/2011 on corporate governance of public companies, as amended.

At the same time, Mr. Gabriel ANDRONACHE has been appointed Chairman of the Board of Directors, alternatively called Chief Executive Officer of the Company, for the period from 25 October to 24 December 2022.

- *Convening of the extraordinary general meeting of shareholders*

The Company's Board of Directors has convened, in accordance with the legal provisions, the Extraordinary General Meeting of Shareholders on 21 November 2022, with the main items on the agenda:

- Approval of the minimum sum insured and the maximum insurance premium for liability insurance professional qualifications of members of the Supervisory Board and the Management Board,
- Information on purchases of products, services and works, commitments involving significant obligations of the Company with a value of more than EUR 5,000,000, as well as loans and guarantees for loans with a value of less than EUR 50,000,000.

- *400 kV Cernavodă-Stâlpu line, historic crossing of the Danube*

On 21 October 2021, the most difficult and challenging technical stage of the project to build the 400kV Cernavodă-Stâlpu Overhead Power Line was marked, namely the crossing of the Danube over a distance of 2.6 kilometres, of which 1.13 kilometres is above water.

The event was attended by Transelectrica's Management, the General Director of Electromontaj SA - Ionuț Tănăsoaica, the Deputy Secretary General of the Government and member of Transelectrica's Supervisory Board - Alexandru-Cristian Vasilescu, the Secretary of State in the Ministry of Energy - George Niculescu, Chairman of the Committee on Industry and Services of the Chamber of Deputies - Bende Sándor and the official representative of the European Climate, Infrastructure and Environment Executive Agency (CINEA) - Ona Kostinaite-Grinkeviciene - Head of Sector CEF.

The Danube river crossing stage took about three weeks, including the preparatory phases.

Its complexity and uniqueness involved special efforts from Transelectrica's contractors and teams of experts, being the first such large-scale electrical engineering work carried out in the Romanian Transmission Grid in the last 35 years.

The double-circuit overhead power line is supported on both sides of the Danube by the tallest high-voltage pylons - 150 metres - in the entire national energy infrastructure.



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The 400 kV Cernavodă-Stâlpu Overhead Power Line infrastructure objective, an investment worth a total of around €75 million, benefits from €27 million in non-reimbursable co-financing through the Connecting Europe Facility (CEF).

The project is part of the North-South Interconnection East Electricity (North-South Interconnection East Electricity) corridor and aims to strengthen the cross-section between the western Black Sea coast and the rest of the European system, while contributing to the strengthening of the electricity transmission grid in Romania, increasing the interconnection capacity between Romania and Bulgaria and integrating wind energy produced in the Dobrogea area. The route of the planned line is 160 kilometres long and crosses the territory of three counties: Constanța county (6 kilometres with double circuit), Ialomița county (94 kilometres with double circuit and 5 kilometres with single circuit) and Buzău county (54 kilometres with double circuit).

The undersigned **ASTRATINI IRINA**, duly sworn translator and interpreter for the foreign languages French and English pursuant to License nr. 19675/2011, issued by the Ministry of Justice, hereby certify that this translation from Romanian into English is complete and true to the intended meaning and contents of the original document that has been presented to me for translation,

Sworn translator and interpreter,
Astratini Irina

