

NPG TRANSELECTRICA SA
Two-Tier Company

Consolidated Financial Statements
as at and for the financial year ended on
December 31, 2022

Prepared in accordance with the Order of the
Minister of Public Finances no. 2844/2016
with subsequent amendments and additions
for the approval of the Accounting Regulations
compliant with International Financial Reporting Standards

NPG TRANSELECTRICA SA
Consolidated Statement of Financial Position for the period concluded on December 31, 2022
(All amounts are expressed in thousand LEI, unless otherwise provided)

	Note	31 december 2022	31 december 2021
Assets			
Non-current assets			
Tangible assets	5	4,063,849	3,881,441
Assets representing rights of use under a lease - buildings	6	23,689	32,690
Intangible assets	7	337,941	7,404
Financial assets	8	40,720	36,340
Total non-current assets		4,466,199	3,957,875
Current assets			
Inventories	9	53,068	48,681
Trade and other receivables	10	3,342,852	2,985,893
Profit tax recoverable		4,128	21,112
Other financial assets	12	-	-
Cash and cash equivalents	11	333,681	264,656
Total current assets		3,733,729	3,320,342
Total assets		8,199,928	7,278,217
Shareholder's equity and liabilities			
Shareholders' equity			
Share capital		733,031	733,031
Share premium		49,843	49,843
Legal reserve		146,606	137,927
Revaluation reserve		734,233	801,800
Other reserves		39,351	31,186
Retained earnings		2,201,628	1,631,074
Total shareholders' equities attributable to Group owners	13	3,904,692	3,384,861
Non-controlling interests	32	-	-
Total equity		3,904,692	3,384,861
Non-current liabilities			
Long term deferred revenues	14	439,028	443,437
Long term Borrowings	15	55,588	79,455
Other loans and assimilated debts - Non-current building lease liabilities	17	15,949	24,656
Deferred tax liabilities	19	110,070	120,927
Employee benefits obligations	16	86,881	75,272
Total non-current liabilities		707,516	743,747

NPG TRANSELECTRICA SA
Consolidated Statement of Financial Position for the period concluded on December 31, 2022
(All amounts are expressed in thousand LEI, unless otherwise provided)

	Note	31 december 2022	31 december 2021
Current liabilities			
Trade and other liabilities	17	3,352,175	3,007,137
Other loans and assimilated debts - Current building lease liabilities	17	9,141	8,966
Other tax and social security liabilities	21	17,377	20,527
Current Borrowings	15	97,950	27,579
Provisions	18	71,557	53,662
Short term deferred revenues	14	39,520	31,738
Income tax payable		-	-
Total current liabilities		3,587,720	3,149,609
Total liabilities		4,295,236	3,893,356
Total shareholders' equity and liabilities		8,199,928	7,278,217

Note: During 2022, the value of 4,254,800 was reclassified from the position "Trade receivables and other receivables" to the position "Financial assets".

The attached consolidated financial statements were signed by the Company's management on 16 March 2023:

Directorate,

**Gabriel
ANDRONACHE**

Directorate
Chairman

**Ștefăniță
MUNTEANU**

Directorate
Member

**Cătălin-Constantin
NADOLU**

Directorate
Member

**Bogdan
TONCESCU**

Directorate
Member

**Florin-Cristian
TĂTARU**

Directorate
Member

Ana-Iuliana DINU

Director, Economic-Financial and Administrative
Unit

Cristiana ZIRNOVAN

Manager, Budgeting & Management Reporting
Department

NPG TRANSELECTRICA SA
Consolidated Statement of Profit and Loss for the period concluded on December 31, 2022
(All amounts are expressed in thousand LEI, unless otherwise provided)

	Note	31 december 2022	31 december 2021
Operating revenues			
Transmission revenues		1,884,909	1,252,286
System service revenues		533,616	623,720
Balancing market revenues		3,478,995	1,822,564
Other revenues		409,863	85,432
Total operating revenues	22	6,307,383	3,784,002
Operating expenses			
System Operating Expenses	23	(901,663)	(576,409)
Balancing market expenses	23	(3,479,716)	(1,809,588)
Technological system services expenses	23	(466,608)	(609,608)
Depreciation and amortization	24	(281,217)	(283,791)
Personnel expenses	25	(385,954)	(317,510)
Repairs and maintenance expenses		(51,380)	(60,288)
Materials and consumables		(40,372)	(31,316)
Other operational expenses	26	(96,637)	(84,003)
Total operating expenses		(5,703,547)	(3,772,513)
Operating result		603,836	11,489
Financial revenues		65,058	6,669
Financial expenses		(73,271)	(15,898)
Net finance result	27	(8,213)	(9,229)
Profit before income tax		595,623	2,260
Income tax		(73,990)	(956)
Result for the year from continuing operations		521,633	1,304
Profit of the period			
Attributable to:			
Owners of the Group		521,633	1,304
Non-controlling interests		-	-
Basic and diluted earnings per share (lei/share)	20	7.12	0.02

NPG TRANSELECTRICA SA
Consolidated Statement of Profit and Loss for the period concluded on December 31, 2022
(All amounts are expressed in thousand LEI, unless otherwise provided)

	Note	31 december 2022	31 december 2021
Result of the financial year			
Other comprehensive income			
Elements which will not be reclassified in the profit and loss account, out of which:			
- Effect of taxation on revaluation reserve	5	-	-
- Surplus from the revaluation of tangible assets	19	-	-
- Actuarial losses on defined benefit plans	16	(10,575)	9,382
Other comprehensive income (AERG)		(10,575)	9,382
Total comprehensive income for the year		511,058	10,686

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Department

NPG TRANSELECTRICA SA

Consolidated Statement of Changes in Shreholders' Equities for the period concluded on December 31, 2022

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

	Share capital	Share premium	Legal reserve	Revaluation reserves	Other reserve	Retained result	Attributable to the group	Minority interests	Total
Balance on January 1, 2022	733,031	49,843	137,927	801,800	31,186	1,631,074	3,384,861	-	3,384,861
Comprehensive result of the period									
Result of the period	-	-	-	-	-	521,633	521,633	-	521,633
Other comprehensive revenue items	-	-	-	-	-	-	-	-	-
Recognising the actuarial loss/profit of the benefit plan	-	-	-	-	-	(10,575)	(10,575)	-	(10,575)
Surplus from revaluation of tangible assets	-	-	-	-	-	-	-	-	-
Liability regarding deferred tax associated to the revaluation reserve	-	-	-	-	-	-	-	-	-
Total other comprehensive revenue items	-	-	-	-	-	(10,575)	(10,575)	-	(10,575)
Total comprehensive result of the period	-	-	-	-	-	511,058	511,058	-	511,058
Legal reserve indexation	-	-	8,679	-	-	(8,679)	-	-	-
Transfer of revaluation reserves into retained result	-	-	-	(67,567)	-	67,567	-	-	-
Minority interests from participation	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	1,162	1,162	-	1,162
Total other items	-	-	8,679	(67,567)	-	60,050	1,162	-	1,162
Derecognition of assets like public domain by registering HGs 615, 682 and 683 of 2019 changing the inventory of assets from the public domain	-	-	-	-	-	-	-	-	-
Subsidies associated to public domain assets	-	-	-	-	8,165	-	8,165	-	8,165
Other reserves	-	-	-	-	-	-	-	-	-
Dividends distribution	-	-	-	-	-	(554)	(554)	-	(554)
Total transactions with owners	-	-	-	-	8,165	(554)	7,611	-	7,611
Balance on December 31, 2022	733,031	49,843	146,606	734,233	39,351	2,201,628	3,904,692	-	3,904,692

The attached consolidated financial statements were signed by the Company"s management on 16 March 2023:

Directorate,				
Gabriel ANDRONACHE	Ştefăniţa MUNTEANU	Cătălin-Constantin NADOLU	Bogdan TONCESCU	Florin-Cristian TĂTARU
Directorate Chairman	Directorate Member	Directorate Member	Directorate Member	Directorate Member
Ana-Iuliana DINU Director, Economic-Financial and Administrative Unit			Cristiana ZIRNOVAN Manager, Budgeting & Management Reporting Department	

NPG TRANSELECTRICA SA

Consolidated Statement of Changes in Shreholders' Equities for the period concluded on December 31, 2022

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

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

The attached consolidated financial statements were signed by the Company"s management on 16 March 2023:

Gabriel ANDRONACHE	Ştefăniţă MUNTEANU	Directorate, Cătălin-Constantin NADOLU	Bogdan TONCESCU	Florin-Cristian TĂTARU
Directorate Chairman	Directorate Member	Directorate Member	Directorate Member	Directorate Member
Ana-Iuliana DINU	Cristiana ZIRNOVAN			
Director, Economic-Financial and Administrative Unit	Manager, Budgeting & Management Reporting Department			

NPG TRANSELECTRICA SA

Consolidated Statement of Cash Flows for the period concluded on December 31, 2022

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

	31 december 2022	31 december 2021
Cash flows from operational activities		
Profit of the period	521,633	1,304
Adjustments for:		
Income tax expense	73,990	956
Amortisement expense (including capitalization of Grid Losses)	281,217	283,791
Grid losses anticipatory tariff income	(338,527)	-
Expenses with adjustments for trade receivables impairment	2,744	16,673
Revenues from reversal of adjustments for trade receivables impairment	(14,767)	(4,609)
Losses from various debtors	464	347
Net revenues with adjustments for various debtors impairment	9,068	10,141
Net expenditures with adjustments for inventories impairment	806	1,780
Net profit/ loss on sale of tangible assets	725	529
Net expenditures on adjustments of value regarding tangible assets	(2,961)	(13,558)
Expenses/Revenues regarding provisions for risks and expenses, net	17,810	(44,942)
Interest expense, interest revenue and unrealised exchange rate gains	6,102	7,677
Cash flows before changes to working capital	558,304	260,089
Changes in:		
Inventories	(5,211)	186
Clients and assimilated accounts	(354,120)	(2,176,952)
Trade payables and other liabilities	360,748	2,134,476
Other taxes and social insurance liabilities	(3,150)	(4,525)
Deferred revenues	1,956	14,904
Cash flows from operational activities	558,527	228,178
Paid interests	(8,090)	(4,978)
Paid income tax	(64,551)	(23,881)
Net cash generated from operational activities	485,886	199,319
Cash flows from the investment activity		
Acquisition of tangible and intangible assets	(465,944)	(495,323)
Proceeds from EC non-reimbursable financing	9,583	93,151
Received Interests	3,055	2,684
Proceeds from sale of tangible assets	13	-
Dividends received/paid	1,535	23
Net cash used in the investment activity	(451,758)	(399,465)

NPG TRANSELECTRICA SA**Consolidated Statement of Cash Flows for the period concluded on December 31, 2022***(All amounts are expressed in thousand LEI, unless otherwise provided)*

	31 december 2022	31 december 2021
Cash flows used in financing activities		
Repayments of non-current borrowings	(23,753)	(23,726)
Use of working capital credit line – net variation	67,618	-
Use of credit line Smart	2,994	(6,157)
Building lease payments	(11,322)	(11,490)
Dividends paid	(640)	(63,672)
Net cash used in financing activities	34,897	(105,045)
Cash and cash equivalents as at January 1 st	264,656	569,847
Net increase/decrease in cash and cash equivalents	69,025	(305,191)
Cash and cash equivalents at the end of the period	333,681	264,656

The attached consolidated financial statements were signed by the Company's management on 16 March 2023:

Directorate,

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**Ștefăniță
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Notes to the consolidated financial statements as at December 31, 2022

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

1. DESCRIPTION OF ACTIVITIES AND GENERAL INFORMATION

The main activity of CNTEE Transelectrica SA ("Company") and of its subsidiaries (called with the Company, "Group") consists of: provision of electricity transmission service and system service, operator of the balancing market, administrator of the bonus support scheme, other related activities. These activities are carried out in accordance with the provisions of the operating license no. 161/2000 issued by ANRE, updated by ANRE Decision no. 687/04.05.2022, of the General Conditions associated with the license approved by ANRE Order no. 104/2014, with subsequent amendments and additions and the final certification of the Company as a transport and system operator of the National Electric Power System according to the ownership unbundling model by ANRE Order no. 164/07.12.2015.

The address of the registered office is Strada Olteni nr. 2 – 4 sector 3, București, România. Currently, the activity of the Company's executive is carried out at the registered office in Strada Olteni nr. 2-4 sector 3, Bucharest.

The Group's consolidated financial statements as of December 31, 2022 drawn up in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards with subsequent amendments and additions, are available at the Company's registered office located in Strada Olteni nr. 2-4 sector 3, Bucharest.

Starting with 2006, the Company's shares are traded on the Bucharest Stock Exchange under the symbol TEL.

In accordance with the Decision of the Extraordinary General Meeting of Shareholders dated July 18, 2012, the Company switched from the unitary administration system to the dualistic administration system in order to achieve a clear separation of the management activity from the control activity. Thus, the Company is managed by a Directorate, under the supervision of a Supervisory Board.

Company establishment

In accordance with the Government Decision ("GD") no. 627 on the reorganization of Compania Nationala de Electricitate - SA ("Predecessor Entity"), issued on July 31, 2000 by the Government of Romania, it was divided into four newly created entities ("Successor Entities"). The sole shareholder of the successor Entities was the Romanian State, through the Ministry of Economy ("ME"). Following this reorganization, CNTEE Transelectrica SA was established as a joint-stock company with the main object of activity being the transport, dispatching of electric energy, organization and administration of the electric energy market.

As presented in Note 13, the shareholders of CNTEE Transelectrica SA on December 31, 2022 are: The Romanian State represented by the General Secretariat of the Government which holds a number of 43,020,309 shares (58.69%), NN Group NV with a number of 4,007 .688 shares (5.47%), PAVAL HOLDING with a number of 4,753,567 shares (6.49%), other shareholders Legal Persons with a number of 16,006,932 shares (21.83%) and other shareholders Natural Persons with a number of 5,514,646 shares (7.52%).

Pursuant to the Government's Emergency Ordinance (OUG) no. 68/2019 for the establishment of some measures at the level of the central public administration and for the modification and completion of some normative documents, published in the Official Gazette no. 898/06.11.2019, starting from November 6, 2019, the exercise of the rights and fulfillment of the obligations arising from the state's capacity as a shareholder in the Compania Națională de Transport al Energiei Electrice "Transelectrica" SA is carried out by the General Secretariat of the Government.

On 14.11.2019, Depozitarul Central S.A. recorded the transfer of a number of 43,020,309 shares (representing 58.69% of the share capital) issued by CNTEE Transelectrica SA, from the account of the Romanian State through the Ministry of Economy to the account of the Romanian State represented by the Government through the General Secretariat of the Government, as a result of enforcement of the provisions of the Government's Emergency Ordinance no. 68/06.11.2019 regarding the establishment of measures at the level of the central public administration and for the amendment and completion of some normative documents.

These Consolidated Financial Statements elaborated as of and for the financial year ended on 31 December 2022 include the financial statements of the parent Company and of its subsidiaries Smart SA and Teletrans SA, jointly called the "Group".

GROUP STRUCTURE

The main Group subsidiaries included in the consolidation and the percentage of shares held by the

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

NPG TRANSELECTRICA SA

Notes to the consolidated financial statements as at December 31, 2022

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

Company are provided below:

Entity	Country of origin	31 December 2022 % of shares	31 December 2021 % of shares
SMART SA	Romania	100	100
TELETRANS SA	Romania	100	100

SMART SA

The subsidiary Societatea Comercială pentru Servicii de Mentenanță a Rețelei Electrice de Transport "SMART" SA was established in 2001, by GD no.710/19.07.2001 through the reorganization of some activities within Transelectrica

The SMART SA company has registered office in B-dul Magheru, nr. 33, sector 1, Bucharest and with its headquarters at the work point in B-dul Gheorghe Șincai, nr. 3, Cladirea "Formenerg", et. 1, sector 4, Bucharest.

The main activities of the subsidiary are overhaul and repair of primary electrical network equipment and appliances (so that RET installations operate safely at the performance level required by the licence), troubleshooting of electrical installation incidents, provision of energy services, energy services for the energy system and micro-production of electrical equipment. The company has 8 branches without legal personality.

The mission for which SMART SA was established was and still is to ensure preventive maintenance, special works and corrective maintenance of the Transmission Grid (RET), based on Transelectrica's primary objective: to ensure the safe and stable transmission of electricity in the national transmission grid.

The branch offers professional services at a high level of performance, i.e. maintenance, repairs, expertise, consultancy for:

- Low, medium, high and extra high voltage switchgear and equipment - up to and including 750kV,
- Equipment and circuits for protection, automation, measurement, command - control,
- Transformers and autotransformers of all powers and voltages,
- Overhead and cable power lines of all voltage levels.

The subscribed and paid-up share capital as at 31.12.2022 is 38,529, Transelectrica being the sole shareholder. The results of the SMART subsidiary are consolidated with the financial results of the Company. SMART shares are 100% owned by Transelectrica..

TELETRANS SA

The subsidiary TELETRANS SA was established by the AGA Resolution no. 13/04.12.2002 of Transelectrica, based on the Law no. 31/1990 and on the Ministry of Industry and Trade Orders no. 3098 and no. 3101 dated 23.10.2002 and is the provider of specific telecommunications and information technology services for the operational and management of Transelectrica, having as its main activity the provision of specific telecommunications services. At the same time, the Subsidiary has the possibility to market specific services on the liberalised communications market in Romania.

The company TELETRANS SA has registered office in B-dul Hristo-Botev, nr. 16 – 18, sector 3, Bucharest and with headquarters at the work point in Str. Stelea Spătarul nr. 12, sector 3, Bucharest.

The subsidiary has a high level of expertise in areas of profound uniqueness in systems and process management in the energy industry.

On the basis of the Articles of Association and the applicable regulations, Teletrans holds the ANCOM certificate of provider of electronic communications networks or services since 2002 (O.U.G. no. 679/2002), which entitles it to provide the following electronic communications services:

- Public electronic communications networks (from 11.11.2004);
- Electronic communications services to the public: (i) Leased line services and (ii) Electronic communications services other than telephony and leased lines (from 01.07.2003);
- Private electronic communications networks and services (from 15.01.2003).

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

NPG TRANSELECTRICA SA

Notes to the consolidated financial statements as at December 31, 2022

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

- TELETRANS personnel also have certifications relevant to the operation and administration of IT&C systems dedicated to critical infrastructures.

TELETRANS uses a fibre optic network built in reliable OPGW technology with access points in 110 localities as well as cross-border links with Hungary, Bulgaria and Serbia and provides EMS/SCADA system integration services for renewable energy producers and new control systems in upgraded stations.

The services provided by Teletrans were mainly IT/Tc services to Transelectrica, maintenance services of the local metering system at the level of the Company's electricity stations, maintenance services of the telecontribution system related to the wholesale electricity market and telecommunication services through the marketing of the surplus capacity existing in the fibre optic communication infrastructure.

The subscribed and paid-up share capital as at 31.12.2022 is 6,874, Transelectrica being the sole shareholder. The results of the subsidiary Teletrans are consolidated with the financial results of the Company. TELETRANS shares are 100% owned by Transelectrica.

Group mission

The Group's mission is to ensure the safety and security in the operation of the National Energy System (SEN), in compliance with the norms and performances stipulated by the technical regulations in force and to provide a public service for all users of the electric transport networks, in conditions of transparency, non-discrimination and equidistance for all market participants.

Other information about Group activities

The participation of European Transport and System Operators (TSOs) within ENTSO-E is regulated by the European legislation in force (Regulation 943/2019 on the internal electric energy market, reform of Regulation 714/2009 on the conditions of access to the grid for cross-border electric energy exchanges): "All transmission and system operators cooperate at community level through the ENTSO-E of electric energy, in order to promote the completion and operation of the internal market of electric energy and inter-zonal trade, as well as to ensure an optimal management, coordinated exploitation and sound technical evolution of the European electric energy transmission grid."

The ENTSO-E membership of the Company is an essential condition for access to the decision-making process regarding European strategy and legislation in the field and for the defense and support of the Company's interests within the activities/projects carried out at the level of the association and the European Commission.

ENTSO-E was created in 2009, as a non-profit association based in Brussels, by unifying the associations of European TSOs organized according to synchronously interconnected regions (UCTE, ETSO, BALTSO, NORDEL, UKTSOA, ATSOI).

Since October 2004, Transelectrica has become a partner of electric energy transmission companies from all over Europe, as a member of the UCTE, ETSO associations and since 2009 is a member of ENTSO-E, the Romanian electric energy system being part of the Continental Europe Regional Group.

CNTEE Transelectrica SA is an affiliated member of the following international bodies:

- ENTSO – E - European Network of Transmission and System Operators for Electric Energy;
- CIGRE - International Council of Large High Voltage Power Grids;
- LWA - International Association of Work under Tension;
- ISSA - International Association for Social/Occupational Security.

CNTEE Transelectrica SA is responsible for the safe, reliable and efficient operation of the SEN, fulfilling the provisions of EU Directive 54/2003, art. 9.

On December 8, 2022, the credit rating agency Moody's Investors Service published the updated credit opinion, which assesses the Company's current and future ability to meet its payment obligations to creditors, reconfirming the Baa3 stable rating (granted on date of October 27, 2021), recognizing the improved financial performance and solid operational results of the Company, thus ensuring the premises of future financing in optimal cost conditions for the successful achievement of the investments assumed for the fourth regulatory period.

At the same time, this rating confirms that Transelectrica operates in an improved regulatory framework, having a solid financial profile, with a low level of debt and strong, stable and predictable financial values.

Legislative environment

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

The activity in the energy sector is regulated by the National Energy Regulatory Authority ("ANRE"), an autonomous public institution, which has as its object of activity: the development, approval and monitoring of the application of the set of mandatory regulations at the national level necessary for the operation of the energy sector and electric energy market, heat and natural gas under conditions of efficiency, competition, transparency and consumer protection.

ANRE has as its main attributions and powers in the sector of electric energy and thermal energy produced in cogeneration, the following: grants, suspends or withdraws authorizations and licenses, develops and approves the methodologies for calculating regulated tariffs and prices, approves regulated tariffs and prices, establishes framework contracts, approves technical and commercial regulations, etc.

ANRE sets the tariffs for the electric energy transmission service and for system services. Therefore, the decisions taken by ANRE can have significant effects on the Company's activity.

The Company's operational activity is carried out under license no. 161/2000 for the transmission of electric energy and the provision of the system service issued by ANRE, valid until 2025, updated by ANRE Decision no. 687/04.05.2022 and the General Conditions associated with the license approved by ANRE Order no. 104/2014, with subsequent amendments and additions.

Considering the fact that the Company's activity and revenues are regulated by ANRE, the most important risks related to this aspect are as follows:

- the regulatory framework is relatively recent and is constantly subject to changes, which may affect the Company's performance;
- ANRE's decisions regarding the adoption of future tariffs may affect the Company's activities.

Final certification of Transelectrica as TSO for SEN, according to the ownership unbundling model

In accordance with the provisions of the Electric Energy and Natural Gas Law no. 123/2012, with subsequent amendments and additions, the National Energy Regulatory Authority (ANRE) approved by Order no. 164/07.12.2015 the certification of the Company as a transmission and system operator of the National Electric Energy System according to the ownership unbundling model.

The ownership unbundling model became available to the Company pursuant to Law no. 123/2012 on electric energy and natural gas transposing Directive 2009/72/EC.

ANRE order no. 164/07.12.2015 accompanied by the Approval of the European Commission with number C (2015) 7053 final/12.10.2015, as an integral part of the Order, was published in the Official Gazette no. 908/08.12.2015 and together with its Approval Report is communicated by ANRE to the European Commission.

This order implements the provisions of European Union and national legislation regarding the certification of the transmission and system operator.

The certification notification was sent to the European Union, which published it in the EU Journal on 08.01.2016, in accordance with Art. 10 para. (2) of Directive 2009/72/EC.

Electricity transmission and system service tariffs

The electric energy transmission activity is an activity of general interest in the field of electric energy, authorized and monitored by a public authority (public service), with a natural monopoly character. The tariffs charged by the Company for transmission and system services are established and approved by ANRE (see Note 22).

The year 2022 is the third in the series of five consecutive years that form the fourth period of multi-annual tariff regulation for the electric energy transmission activity (January 1, 2020 – December 31, 2024). The main coordinates of this regulatory period were established by ANRE based on the specific regulatory framework, respectively the methodology for establishing the tariff for the electric energy transmission activity. Compared to the previous forms of the methodology on the basis of which the tariffs were set in the previous regulatory period (July 1, 2014 – June 30, 2019) and in the transition period from the previous regulatory period to the current regulatory period, the methodology applicable to the establishment of tariffs in the framework of the fourth regulatory period did not undergo substantial changes.

Regarding the fundamental aspects of the methodology (the main elements that make up the regulated income and how it is formed, the recovery of operating costs, the recovery and remuneration of the capital invested in regulated assets, the nature of the incentive elements, the method of collecting the regulated income), these have remained unchanged ensuring the continuity and predictability of the

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

regulatory framework. Detailed tariff settings for the entire current multi-year regulatory period were initially set during 2019.

During 2020, in accordance with the applicable methodology, a review of the previously approved period coordinates took place. This review was also necessary in view of the change in the tariff configuration in the sense of merging the tariff for the transmission activity with the tariff related to the functional services component within the system services activity. The merging of the two mentioned tariffs took place through the absorption in the transmission tariff of the tariff related to the functional services component within the system services activity. Thus, it was necessary to revise the initial starting settings (Regulated Asset Base) and cost scheduling approved for the regulatory period horizon, to include the assets and costs related to the system functional services activity in the starting settings and in the multi-year programming of the fourth regulation period. Previously, the programming of the costs related to the activity of system functional services was reviewed and established annually upon the approval of the tariff for system functional services, the previous methodology not providing for the establishment and approval of a multi-year programming for these costs.

In addition to the merging of the two mentioned tariffs, presented above, in the process of revising the coordinates of the regulatory period, certain elements initially approved for the transmission activity, such as the investment plan (slightly revised downwards to correct a technical error produced at the initial establishment of programming – the program values were initially reported in nominal terms, for the purpose of programming it is necessary to adjust the initially reported values by extracting the estimated inflation for the regulatory period), the value of the Regulated Asset Base on January 1, 2020 (revised based on actual investments achieved in the second half of 2019), the starting point and the imposed efficiency slope for controllable operating and maintenance costs subject to efficiency (the starting point was revised by including in the multi-year historical average the costs achieved in the second half of 2019 and by elimination from the multi-year historical average of certain costs that were re-classified as uncontrollable costs in the fourth regulatory period, the efficiency slope was reduced from 1.5% to 1.0%), the forecast price for the purchase of electric energy to cover technical losses in the transmission grid (revised by indexation with inflation carried out in the second semester of 2019).

In the context of the significant increase in electric energy prices on the wholesale markets starting from the summer of 2021, a series of measures have been implemented at the level of the legislative and regulatory framework with the aim of mitigating the significant impact of this development on the costs borne by the operators of public transmission and distribution grids of electric energy with the purchase from the wholesale market of the energy needed to cover own technological consumption in grids:

- in accordance with the regulatory framework issued by ANRE, when establishing the transmission tariff that entered into force on January 1, 2022, the revenue component included in the tariff intended to cover the costs of purchasing energy to cover own technological consumption in the transport network was increased, compared to the value initially established for the year 2022 within the multiannual programming of costs for the regulatory period 2020-2024;
- in accordance with the legislative framework (Emergency Governmental Ordinance no. 27/2022), on April 1, 2022, an additional increase in the transmission tariff was applied. This increase in the tariff had the role of ensuring the recovery by the Company of the deficit recorded in 2021 between the income included in the tariff and the real cost of electric energy purchased from the wholesale market to cover its own technological consumption in the transmission grid. This measure brought forward the deficit recovery process from 2021, which according to ANRE regulations would have been achieved a year later, namely in 2023;
- in accordance with the legislative framework (Emergency Governmental ordinance no. 119/2022), the measure of capitalization of additional costs with own technological consumption, respectively of the difference between the achieved cost and the cost included in the transmission tariff, was introduced. The recovery through the transmission tariff of this difference is to be carried out in stages over a period of five years. The capitalization measure was established for the period January 1, 2022 - August 30, 2023. For the difference capitalized in 2022, the recovery through the transmission tariff will be achieved in the period 2023-2027.

The cumulative effect of the measures mentioned above was to balance the Company's revenues and costs, in the conditions of the significant increase in the costs of its own technological consumption against the background of the large increase in electric energy prices on the wholesale markets. At the same time, the two increases in the transmission tariff, applied on January 01 and April 01, 2022, also contributed to reducing the pressure that the increased costs exerted on cash flows.

Regulated asset base ("BAR / RAB")

The determination of the transmission tariff is based, among other things, on the basis of the regulated assets. The base of regulated assets includes the net value of the tangible and intangible assets corresponding to the private patrimony of the Company and the net value of the assets belonging to the public domain of the state fully financed from own sources, recognized by ANRE and used in the provision of the electric energy transmission service.

In 2022, the regulated rate of return on assets for the electric energy transmission activity, expressed in real terms before taxation, had the following values:

- 6.39% value established in ANRE regulations and applied between January 1, 2022 - December 31, 2022.

Regarding the value of 6.39%, we specify that the ANRE regulations also established an incentive for new investments made in the electric energy transmission grid in the form of granting a supplement to the value of the regulated rate of return, in the amount of one percentage point and an incentive in the amount of two percentage points above the regulated rate of return approved for fixed assets related to investments in the grid commissioned starting from February 1, 2021 and achieved from own funds within projects co-financed from non-reimbursable European funds. Thus, the new investments made in the electric energy transmission grid starting in 2021 are remunerated with a regulated rate of return in the total amount of 7.39%.

At the beginning of 2022, the BAR value related to the electric energy transmission activity, established by ANRE based on the investments made by CNTEE Transelectrica SA in the third regulatory period, based on the investments made in the transitional tariff period - the second semester of 2019 and based on the investments made in the first two years (2020 and 2021) of the fourth regulatory period - is of about 2,520 million RON. Investments made mean completed investments, respectively objectives put into operation and registered as fixed assets in the Company's accounting records.

The total volume of investments approved for the fourth regulatory period is of about 1,587 million RON. From this total volume, it was forecasted that a part in the amount of about 644 million RON representing about 40% of the total approved investment volume will be financed from non-refundable European funds and from the revenues obtained by Transelectrica from the allocation of cross-border interconnection capacity. Thus, in the programming of the Regulated Asset Basis for the fourth regulatory period, a volume of 943 million RON was included, representing about 60% of the total approved investment volume, respectively the part of the total approved investment volume that is estimated not to be financed from the non-reimbursable sources mentioned above.

Inclusion of Transelectrica in the local and international stock exchange indices

Starting with the date of 29.08.2006, the shares issued by Transelectrica are traded on the regulated market, administered by BVB, in category I, under the symbol TEL. Transelectrica shares are part of the BET index, an index that reflects the evolution of the 20 most traded companies on the BVB Regulated Market, excluding financial investment companies (SIFs).

Transelectrica is also included in local stock indices BET-TR, BET-XT-TR, BET-TRN, BET-XT-TRN, BET-XT, BET-BK, BET BETPlus, BET-NG.

As of January 5, 2015, the Company is included in the Premium category of the regulated market administered by BVB.

Group revenues

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

- Electric energy transmission services;
- System services (operational technical management service of SEN);
- Balancing market operator.

Electricity transmission services

The transmission service consists of ensuring the transmission, under conditions of efficiency and safety, of electric energy between two or more points of the electric transmission grid ("RET"), in compliance with the performance standards in force.

The company ensures non-discriminatory and regulated access to all participants in the electric energy market. The transmission activity is carried out through eight territorial transmission units based in: Bucharest, Bacău, Cluj, Constanța, Craiova, Pitești, Sibiu and Timișoara.

The electric energy transmission activity carried out by the Company consists in ensuring the technical conditions and maintaining the RET parameters at the time of introducing/receiving energy into/from the RET.

System services

The company has the task of permanently maintaining the operation of the national energy system in safe conditions and in compliance with the quality standards provided for in the technical code of the electric energy transmission grid. For this purpose, the Group uses its own resources called functional system services and purchases technological system services from electricity producers. The Company provides this service by using dispatcher management systems, based on a tariff regulated and approved by ANRE, which applies to the same basis – electric energy delivered to consumers - and includes the tariff for system services.

Technological system services are purchased based on a competitive procedure regulated by ANRE, from producers, at the request of the Company, in order to maintain the operational safety level of SEN, as well as the quality of the energy transmitted to the parameters required by the legislation in force. The Company re-invoices the entire value of the system services purchased from producers (except for the active energy component to cover losses in the RET) to the ANRE-licensed electric energy suppliers who ultimately benefit from these services.

The functional system services refer to the dispatching services provided by the Company and consist of the planning and operational management of the SEN, as well as the other activities provided by the Company in order to balance production with consumption in real time, in order to satisfy consumption of electric energy safely with minimum costs and maintaining the level of safety in operation of the SEN.

Operator of the balancing market

The mode of operation of the balancing market is stipulated in:

- Regulation (EU) 2195/2017 establishing a guideline on the balancing of the electric energy system, hereinafter referred to as "Regulation (EU) 2195/2017".
- Regulation (EU) no. 1485/2017 establishing a guideline regarding the operation of the electric energy transmission system;
- Order of the President of ANRE no. 61/31.03.2020 for the approval of the Regulation on the scheduling of dispatchable production units, dispatchable consumers and dispatchable storage facilities, the Regulation on the operation and settlement of the balancing market and the Regulation on the calculation and settlement of imbalances of the parties responsible for balancing, with subsequent amendments and additions;
- Regulation for calculation and settlement of the imbalances of the parties responsible for balancing - sole imbalance price and for the modification of some orders of the president of the National Energy Regulatory Authority approved by ANRE President's Order no. 213 of November 25, 2020, published in the Official Gazette no. 1201 of December 9, 2020, with subsequent amendments and additions;
- Electricity and natural gas law no. 123/2012, with subsequent amendments and additions.

The Balancing Market allows balancing the production-consumption balance in real time, using resources offered in a competitive system. Also, the balancing market guarantees the full fulfillment of the contractual obligations assumed by the energy market participants.

The purpose of the balancing market is to balance the production and consumption of electric energy and to improve the accuracy of forecasts made for this purpose by all market participants. This is ensured by trading the energy contracted in excess or not contracted, but consumed by the participants in the market. Transelectrica, based on the procedures and regulations approved by ANRE, must approve all participants in the balancing market, collect, verify, process all bids and carry out settlement procedures.

The most important contribution to the operation of the balancing market is made by the National Energy Dispatcher. The National Energy Dispatcher is responsible for supervising the adequate and safe operation of SEN, ensuring at all times the balancing of the production-consumption balance.

The balancing market is used by Transelectrica to ensure the real-time balancing of consumption with production, to guarantee the safe and stable operation of SEN and to administer any restrictions within the SEN.

The contracts concluded by Transelectrica with all participants in the balancing market are based on two conventions: the framework convention for assuming responsibility for balancing (concluded with electric energy producers and suppliers as parties responsible for balancing) and the framework convention for participation in the balancing market (concluded, as a rule, with electric energy producers holding UD/CD).

Taking into account the current organization of the balancing market, OPCOM is responsible for establishing the quantities and closing prices on the balancing market, Transelectrica being involved in the balancing activity, as follows:

- The National Energy Dispatcher contracts the electric energy needed to balance the production-consumption balance on the balancing market;
- The OMEPA measurement department is responsible for measuring the actual quantities.

According to the provisions of ANRE President's Orders no. 61/31.03.2020 and no. 213/25.11.2020, to ensure the operation of the Electric Energy Market, TSO – respectively Transelectrica

collects:

- ✓ the amounts due by PRE (Responsible Parties with Balancing) for:
 - the amount of PRE's payment obligations for negative imbalances produced in the month of the contract, determined for that month according to the Information Note for the monthly settlement of PRE imbalances or the monthly regularization Note, issued by ODPE;
 - the value of PRE's payment obligations for the provision of services corresponding to the value in the mode for the positive imbalances produced in the month of the contract presented with the negative sign, in the Information Note for the monthly settlement of PRE imbalances or in the Monthly Regularization Note, issued by ODPE;
 - additional costs resulting from balancing the system.
- ✓ the amounts due by PRE (Responsible Parties with Balancing) for:
 - the payment obligations of the PPE for the values of the amounts of balancing energy actually delivered at power reduction, within the final transactions for the delivery of the balancing energy, established according to the Information Note for the monthly settlement on PE or the monthly regularization Note, issued by ODPE ;
 - the payment obligations of the PPE for the provision of services, corresponding to the value in the mode for the amount of balancing energy actually delivered at power increase presented with a negative sign in the Information Note for the monthly settlement on PE or in the Monthly Regularization Note, issued by ODPE ;
 - penalties for partial delivery of balancing energy.

and pays

- ✓ PRE for:
 - the amount of the collection rights for the positive imbalances produced in the month of the contract, determined for that month according to the Information Note for the monthly settlement of PRE imbalances or the monthly regularization Note, issued by ODPE;
 - the value of the collection rights for the provision of services corresponding to the value in the mode for the negative imbalances produced in the month of the contract, presented with the negative sign, in the Information Note for the monthly settlement of PRE imbalances or in the Monthly Regularization Note, issued by ODPE.
 - the additional revenues from balancing the system.
- ✓ PPE (the producers balancing the system at dispatcher level) for:

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

- the collection rights of the PPE for the values of the amounts of balancing energy actually delivered upon power increase, within the final transactions for the delivery of balancing energy, established according to the Information Note for the monthly settlement on PE or the monthly regularization Note, issued by ODPE ;
- the collection rights of the PPE for the values of the provision of services, corresponding to the value in the mode for the amount of balancing energy actually delivered at power reduction, presented with the negative sign, in the Information Note for the monthly settlement on PE or in the Monthly Regularization Note, issued by ODPE.

Intended energy exchanges and common settlement rules for the not intended energy exchanges (Calculation Methodology FSKAR)

Following the application of Regulation (EU) no. 1485/2017 establishing a guideline regarding the operation of the electric energy transmission system and Regulation (EU) no. 2195/2017 establishing a guideline on the balancing of the electric energy system, at the level of ENTSO – E common settlement rules for intentional exchanges of energy and common settlement rules for unintended exchanges were developed and approved by the Transmission and System Operators. We specify the fact that the new set of common rules for the settlement of intentional energy exchanges and unintentional energy exchanges provides for the creation of a financial settlement between the Transmission and the System Operators, thus eliminating compensations in kind determined according to the ENTSO-E methodology by the Centers of Settlement from Brauweiler (Germany) and Laufenburg (Switzerland), which CNTEE Transelectrica SA traded on the Market for the Next Day and recorded them separately in the Budget of Revenues and Expenditures with the Party Responsible for Balancing Unplanned Exchanges as a result of energy trading on the Market for The next day.

The FSKAR calculation methodology, called *Accounting and Financial Settlement of kΔf, ACE and Ramping period*, entered into force on June 1, 2021. The Settlement Centers in Brauweiler (Germany) and Laufenburg (Switzerland) transmit the results to each Transmission and System Operator in the form of daily files containing intended exchanges and unintended exchanges (quantities – prices) calculated for the respective Transmission and System Operator, on each settlement interval. The set price is the weighted average of the prices from trading on the Day-ahead Markets of all ENTSO – E member states, the prices being expressed in Euro/MWh.

The costs and revenues highlighted in the invoice received from JAO regarding the energy settlement related to unintentional exchanges will be included in the settlement calculation in the Balancing Market, in accordance with the provisions of ANRE Order no. 33/2021, regarding the amendment and completion of the Regulation for the calculation and settlement of imbalances of the parties responsible for balancing – single imbalance price approved by the Order of the President of the National Energy Regulatory Authority no. 213/2020.

Compensation process of the imbalances between all transmission and system Operators - IN (Imbalance Netting) Platform

Starting from 01.01.2021, it was implemented the European platform, International Grid Control Cooperation (IGCC) or IN Platform (Imbalance Netting) for the process of compensation of imbalances between all TSOs, which performs the automatic frequency restoration process under part IV of Regulation (EU) 2017/1485.

We specify the fact that the International Grid Control Cooperation (IGCC) represents the project that was chosen in 2016 by ENTSO-E, to become the future European platform for the imbalance compensation process, as defined in Regulation (EU) no. 2017/1485 of the Commission of August 2, 2017 establishing a guideline regarding the operation of the electric energy transmission system (art. 22). The IGCC initiative was started in 2010 by the operators in Germany and later expanded at the level of the central European systems, representing a way of optimizing the secondary regulation of frequency - alternating power, by reducing the actions of the opposite direction of the regulators of the member operators, resulting thus an optimized use of the system reserve "Frequency Restoration Reserve with automatic activation" of the RRF, at the overall level.

High efficiency cogeneration

Starting from April 1, 2011, the Company is the administrator of the support scheme for the promotion of high-efficiency cogeneration. The objective of this support scheme is to promote high-efficiency cogeneration electric energy production systems, having the advantage of producing energy with low

pollutant emissions. The aim is to facilitate the access to the market of high-efficiency cogeneration production systems by granting a cogeneration bonus, given that the production costs of electric energy and thermal energy in cogeneration plants are higher than the market prices of the two forms of energy. The scheme is intended for electric energy and thermal energy producers that own or commercially operate high-efficiency cogeneration plants, with the aim of stimulating new investments in cogeneration systems, as well as the retrofitting of existing plants. The effective implementation of the support scheme in Romania took place on April 1, 2011, after the adoption by the National Energy Authority (ANRE) of the regulatory framework necessary for the implementation of this scheme.

The support scheme for the promotion of high-efficiency cogeneration is one of the mechanisms developed at the level of the European Union (EU) for the achievement by each member state of the targets for reducing greenhouse gas emissions -GES- (by reducing the amount of primary energy required to generate the same amounts of processed energy – electrical and thermal – compared to separate production).

The bonus support scheme was established in Romania by the Governmental Decision no. 219/2007 regarding the promotion of cogeneration based on useful thermal energy (transposition of EC Directive no. 8/2004) and implemented by the Governmental Decision no. 1215/2009 regarding the establishment of the criteria and conditions necessary for the implementation of the support scheme for the promotion of high-efficiency cogeneration based on the demand for useful thermal energy, for producers with an installed electrical capacity of more than 1 MW.

The support mechanism was authorized by the European Commission, Decision C(2009)7085, amended by Decision C(2016)7522 final. According to these decisions, the state aid is of operating type, to cover the difference between the costs and revenues of the production of electric energy and heat in high-efficiency cogeneration, ensuring a maximum return of 9%.

The bonus support scheme is intended in this way to support and promote high-efficiency cogeneration electric energy and thermal energy production systems, thus encouraging new investments in cogeneration technology, as well as the implementation of replacement/rehabilitation works for the existing plants.

The scheme applies to producers of electric energy and thermal energy in cogeneration, that have applied to ANRE to grant the bonus for electric energy produced in high-efficiency cogeneration, delivered in SEN, for the cogeneration capacities entered in the list of producers of electric energy and thermal energy in high-efficiency cogeneration until on December 31, 2016. Producers benefit from the support scheme for a maximum period of 11 consecutive years, without exceeding the year 2023, the year at the end of which the scheme ends. The bonus, granted on request, represents the amount (in RON) received by producers for each MWh produced in high-efficiency cogeneration and delivered to the SEN networks, is established annually by ANRE and is calculated as the difference between the total production costs of a power plant equivalent cogeneration, with the production of high-efficiency electric energy, and the revenues that can be obtained from it using the market price of electric energy, respectively the unit cost of thermal energy resulting for an equivalent thermal power plant, the difference compared to the electric energy delivered in the SEN by the cogeneration plant.

The Government Decision no. 1215/2009 establishes the legal framework, in accordance with the regulations of the European Union, necessary for the implementation of the bonus support scheme for the promotion of high-efficiency cogeneration, based on the demand for useful thermal energy, in order to cover the difference between the cost of energy production in high-efficiency cogeneration and its selling price. ANRE approved the reference bonus values, per megawatt hour of electric energy produced and delivered to the grid from high-efficiency cogeneration plants. Beneficiaries of the scheme are producers who meet certain criteria established by ANRE.

In accordance with Art. 14 of the Government Decision no. 1215/2009, CNTEE Transelectrica SA is designated as being responsible for the administration of the support scheme. The main duties of the Company as the administrator of the support scheme are represented by the collection of the contribution from the suppliers of the electric energy consumers in a bank account separate from the basic activity and the payment of the bonus to the producers of electric energy and thermal energy in cogeneration of high efficiency; concluding contracts with the suppliers for the collection of the contribution and with the producers who will be the beneficiaries of the scheme; checking the value of the collected contribution; issuing invoices to suppliers; the return of the contribution for high-efficiency cogeneration to suppliers who introduce into Romania the electric energy produced in high-efficiency cogeneration in other member states of the European Union; monitoring and reporting to ANRE on the administration of the support scheme.

The company acts as an agent of the state in the monthly collection of the contribution for cogeneration and the monthly payment of the bonus and under these conditions, the operations related to the support scheme do not influence the income and expense accounts, except for the own administration expenses recognized by ANRE for the development of the support scheme and which are self-invoicing.

On 08.12.2016, by the Government Decision no. 925, it was adopted the amendment and completion of the Governmental Decision no. 1215/2009 regarding the establishment of the criteria and conditions necessary for the implementation of the support scheme for the promotion of high-efficiency cogeneration based on the demand for useful thermal energy. The main changes refer to the following aspects:

- in order to receive the bonus, the producers are obliged not to register debts towards the administrator of the support scheme or to have concluded agreements for the compensation of debts and receivables;
- over-compensation is recovered according to national and European Union legislation in the field of state aid;
- the undue over-compensation/bonus left unpaid by producers, for which all legal steps have been taken, will be recovered by including the amount in the contribution for cogeneration, according to the methodology issued by ANRE;
- ANRE decisions regarding the amount of over-compensation and/or undue bonus are binding for producers and are implemented for recovery by issuing a decision by the scheme administrator in accordance with state aid legislation;
- the financial closure of the support scheme takes place in the first semester of 2024, according to the regulatory framework developed by ANRE.

On 25.03.2022, by the Government Decision no. 409/2022, it was adopted the amendment and completion of Government Decision no. 1215/2009 regarding the establishment of the criteria and conditions necessary for the implementation of the support scheme for the promotion of high-efficiency cogeneration based on the demand for useful thermal energy. Thus, the period of application of the support scheme is extended until 2033, exclusively for producers which meet the conditions for accessing the extension of the support scheme.

Following the issuance of the Governmental Decision no. 409/2022, ANRE updated the applicable regulatory framework by issuing:

- Order of the President of ANRE no. 34/2022 on the amendment of the Methodology for establishing and adjusting prices for electric energy and thermal energy produced and delivered from cogeneration plants that benefited from the support scheme, respectively the bonus for high-efficiency cogeneration, approved by the Order of the President of the National Regulatory Authority in the Energy Field no. 15/2015;
- Order of the President of ANRE no. 35/2022 regarding the amendment and completion of the Procedure for approval of new or re-engineering projects of cogeneration plants, approved by the Order of the President of the National Energy Regulatory Authority no. 115/2013.

Producers who until March 31, 2022 have benefited from the support scheme for 11 years and who meet the conditions for accessing the extension of the support scheme presented above, can benefit, based on a decision approved by the ANRE president, from the extension of state aid starting with April 1, 2022.

At the same time, the financial closure of the support scheme is extended and will take place in the first semester of 2034.

The coupling mechanism through price of the electric energy markets

The application of the price coupling mechanism began on November 19, 2014, the date on which the "4 Market Market Coupling (4MMC)" Project, which provides for the union of the PZU (Day-Ahead Market) electric energy markets in Romania, Hungary, the Czech Republic and Slovakia, was entered the operation phase.

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

On October 27, 2021, the Bulgaria-Romania border was also integrated into the single day-ahead coupling (SDAC - Single Day-Ahead Coupling).

On November 19, 2019, the 2nd wave was launched within the single European intraday market coupling solution (SIDC – Single Intraday Coupling), with the first deliveries on November 20. Seven countries -

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Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Slovenia joined fourteen countries - Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Latvia, Lithuania, Norway, Netherlands, Portugal, Spain and Sweden, which has already been operating in a coupled regime since June 2018.

On June 8, 2022, the Core FB MC (Core Flow-Based Market Coupling) project was put into operation, thus initiating day-ahead market coupling based on flows in the Core capacity calculation region. The flow-based market coupling mechanism optimizes the European electric energy market for 13 countries (Austria, Belgium, Croatia, Czech Republic, France, Germany, Hungary, Luxembourg, Netherlands, Poland, Romania, Slovakia and Slovenia).

The unique intraday market coupling mechanism ensures the continuous harmonization of market participants selling and buying bids in a bid area with selling and buying bids from within their own bid area and from any other bid area where cross-border capacity is available.

From the point of view of the internal regulatory framework, the roles and responsibilities of the operators involved, the Company and OPCOM SA, as well as the operations carried out within the market coupling are provided in the Regulation on the organization and operation of the electric energy market for the following day, observing the price coupling mechanism of the markets and the modification of some normative documents that regulate the day-ahead electric energy market, approved by ANRE Order no. 82/2014 (Regulation).

The target model for the day-ahead market, based on the principle of price coupling of regions (PCR - Price Coupling of Regions), uses a unique algorithm for matching offers and determining the price.

In the situation where the coupling is not possible, the TSOs of the respective countries apply the fallback procedures, by which the cross-border capacity is allocated.

Art. 138 of the Regulation provides that in the post-coupling process, the Transmission and System Operators (TSO) have the role of transfer agents of the electric energy resulting from the coupling algorithm as being transferred between two adjacent bidding areas.

Within the next-day market price coupling mechanism, electric energy exchanges correlate, based on tenders, electric energy transactions for the next day, depending on the interconnection capacity made available by the TSO through which the implicit allocation of it is performed.

The Company, as TSO, transfers the electric energy, both physically and commercially, to neighboring TSOs (MAVIR - Hungary and IBEX - Bulgaria) and administers the revenues from congestion on the respective interconnection related to PZU (art. 139 of the ANRE Order no. 82/2014), and in relation to OPCOM SA has the status of Implicit Participant in the Day-Ahead Market and the Intraday Market (PI).

As Transfer Agent and Implicit Participant, CNTEE Transelectrica SA has the commercial task of settling the energy traded between OPCOM SA, MAVIR and IBEX.

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

- fulfills the role of default participant on PZU and PI and has the capacity of transfer agent;
- provides the interconnection capacity for the physical delivery of electric energy traded on PZU and PI, respectively the transfer of energy from one bidding area to another through the interconnection lines, being limited by their available transfer capacity.

Revenues recorded from congestion are divided monthly between transport and system operators, and exchange rate differences are retained or ensured, as the case may be, by the TSO.

At the level of the Company, it was approved that the transactions related to the price coupling mechanism of the regional markets do not influence the income and expenditure accounts, with the exception of the income from congestion management on the interconnection lines, the income/expenses with the exchange rate differences and the expenses with the bank commissions resulting from the settlement of the transactions carried out by the Company as a transfer agent.

Energy delivered to support the balancing of neighboring TSO in emergency situations ("Emergency energy assistance to neighboring")

Taking into account European directives and regulations, national legislation and ENTSO-E rules, one of the obligations of the Transmission and System Operator (TSO) is to coordinate actions and help between neighboring TSOs in order to ensure the electric energy to restore the normal operation of power systems in the event of emergency situations.

Within the interconnected operation of the European energy system, an operational means of mutual

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support of the TSO is the delivery of balancing energy to interconnected (neighboring) systems in emergency situations defined by the lack of reserves and/or sufficient sources to cover consumption, according to the corresponding general provisions of Regulation (EU) 2017/1485 establishing guidelines for the operation of the electric energy transmission system and Regulation (EU) 2017/2195 establishing guidelines for balancing the electric energy system.

The implementation of this possibility is based on the operational agreement of the synchronous area Continental Europe ("Synchronous Area Framework Agreement for Regional Group Continental Europe - SAFA"), which details the provisions of the regulations, respectively paragraphs e), f) and g) and of Art. B-12 of this operational agreement. Therefore, the Company signed bilateral agreements for the purpose of providing emergency electric energy with neighboring TSOs from Hungary, Bulgaria and Serbia during the years 2017 - 2019 and with neighboring TSOs from Ukraine and the Republic of Moldova, during 2022 (bilateral contracts with TSOs from Ukraine and from the Republic of Moldova were signed in emergency regime, in the context of the conflict situation in Ukraine and the synchronization of the two systems at the Energy System of Continental Europe - 16.03.2022).

Based on the bilateral contracts with neighboring TSOs, electric energy can be mutually supplied in the event of major failures in the production structure or in the transmission grid (energy referred to in the contract as "Emergency Energy"), on commercial principles. Emergency Energy can also be granted from the Romanian energy system to the Ukrainian/Moldavian energy system to ensure (observe) the scheduled energy exchanges from the Control Block Ukraine - Republic of Moldova to the Continental Europe Synchronous Zone, in the event of the activation of the measures provided by the decision of the Continental Europe Regional Group (RG CE) within ENTSO-E, which aims to reduce the physical flow of electric energy or to stop the synchronous operation of the Control Block Ukraine - Republic of Moldova with the Synchronous Zone of Continental Europe.

2. BASES OF ELABORATION

Statement of conformity

These consolidated financial statements ("financial statements") were prepared in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards ("OMFP no. 2844/2016"), with subsequent amendments and additions. Pursuant to Order no. 2844/2016, the International Financial Reporting Standards represent the standards adopted according to the procedure provided by the European Commission Regulation no. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards ("IFRS EU").

The Group applies the International Financial Reporting Standards adopted by the European Union when preparing the consolidated financial statements of the year 2022 in accordance with OMFP no. 881/2012, with subsequent amendments and additions.

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

Bases of assessment

The financial consolidated statements are prepared at historical cost, with the exception of tangible fixed assets, other than tangible fixed assets in progress, which are assessed at re-assessed value, while the debts related to the payment arrangements based on shares with cash settlement are assessed at fair value.

Functional and submission currency

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

Use of estimates and judgments

The preparation of financial consolidated statements in accordance with EU IFRS requires management to use professional judgements, estimates and assumptions that affect the application of accounting policies, as well as the recognized value of assets, liabilities, income and expenses, assumptions regarding fair value (see Note 4), regarding commitments and contingents (see Note 29), regarding the recognition of non-refundable funds to be received (see Note 14 – Advance income), regarding

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

adjustments for losses in value of receivables (see Note 10), regarding related obligations cash-settled share-based payment transactions (Note 31) and related defined benefit plan obligations (Note 16).

Actual results may differ from estimated values. Estimates and assumptions are reviewed periodically. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in the future periods affected.

Information about assumptions and estimates that involve significant uncertainties is included in the following notes:

- Note 13 - the estimate of the Group's management regarding the fact that there is reasonable assurance that the conditions attached to the non-refundable funds will be met and that the funds will be received;
- Note 16 - assessment of obligations related to defined benefit plans;
- Note 29 - recognition and assessment of provisions, commitments and contingents; key assumptions regarding the likelihood and extent of an outflow of resources.

Information on the accounting policy judgments regarding service concession agreements is presented in the following paragraphs.

In 2004, the Group (licensee) concluded a concession contract with the Ministry of Economy (grantor) according to which the Company has the right to use assets of public heritage, which include the electric energy transmission grid and the land on which it is located, in exchange for providing electric energy transmission service (see Note 3 - b).

Given the fact that most of the Company's shares are owned by the State, the Company's management considers that it is a public company and therefore does not fall under the provisions of IFRIC 12 "Service Concession Agreements".

Given that there is no other specific international financial reporting standard for service concession agreements, the Company considered whether to apply IFRIC 12, based on the hierarchy mentioned in SIC 8 "Accounting policies, changes in accounting estimates and errors", which stipulates that first the provisions of other IFRSs dealing with similar issues should be taken into account.

Thus, in the analysis of the application of IFRIC 12, the Group considered whether the following characteristics of public-private service concession agreements are applicable to the concession contract concluded with ME, on the date on which IFRIC 12 must be adopted:

- the grantor controls or regulates the type of services that the licensee must provide within the infrastructure, to whom they must provide them and at what price;
- the grantor controls - through the right of ownership, the right of benefit or otherwise - any significant residual interest in the infrastructure at the end of the term of the agreement: 49 years;
- the contractual provisions would include the same provisions, if the agreement had been concluded with a private company.

From the analysis of the characteristics of public-private service concession agreements, the following can be found:

- the services provided by the Group are regulated by ANRE, therefore, the Grantor (Ministry of Economy) does not control and does not regulate the type of services that the Group must provide;
- at the end of the contractual period, the residual interest in the infrastructure is approximately zero, most of the assets belonging to the public domain of the state being fully amortized;
- currently, there are no similar contracts, as the Group has a monopoly position for electric energy transmission.

The Company concluded that an accounting of the concession contract according to the provisions of IFRIC 12 will not reflect the economic substance of the transaction, because the Company pays an annual fee in the form of a royalty for the use of the assets mentioned in the concession contract in the amount of 4/1000 of the gross revenue value achieved from electric energy transmission and transit operations, through the national transmission systems, under the public ownership of the state, a fee that is significantly lower than the depreciation that the Company would have recorded for the respective assets if the concession contract had not been signed.

As a result, IFRIC 12 is not applicable and the Company has applied the accounting policies as described in Note 3, points a) and b).

3. ACCOUNTING POLICIES

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

(a) Bases of consolidation

(i) Subsidiaries

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

At the date of this report Transelectrica has six subsidiaries, Romanian legal entities, organized as joint-stock companies, of which it is the sole shareholder in the following: Formenerg, Teletrans, Smart, Icemenerg Service (subsidiary which at the date of this report is deregistered with the ONRC), Icemenerg SA (Institutul de Cercetări e Modernizări Energetice ICEMENERG SA - subsidiary which at the date of this report is deregistered with the ONRC).

Among the Company's subsidiaries, the Smart and Teletrans subsidiaries are included in the Group's financial consolidation perimeter.

They have not been taken into account in the preparation of the consolidated financial statements:

- subsidiary Formenerg as according to the applicable accounting legislation, the impact of its activity is considered immaterial for consolidation purposes,
- the subsidiary OPCOM as the management is carried out according to the regulations set by ANRE and Transelectrica does not exercise effective direct control over its decision-making mechanisms.

The FORMENERG subsidiary is a company whose main activity is the initial and continuous professional training, in all fields of activity, of personnel working in the energy sector in all sectors of the national economy and other beneficiaries, as well as hotel services, rental services and event organisation services..

FORMENERG SA was established following the Decision number 33/19.11.2001 of the General Meeting of Shareholders - "Transelectrica" S.A., by outsourcing the activity of the Branch for Training and Development of Energy Sector Personnel. The share capital on 31.12.2022 is 1,948, fully subscribed, represented by 194,842 shares with a nominal value of 10 lei each. FORMENERG shares are 100% owned by Transelectrica.

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

On 27.04.2021 by address no. 18759, the Official Receiver of the ICEMENERG Service SA Branch informed that on 23.04.2021, following the tender that took place, the assets of the ICEMENERG Service SA Branch, both movable and immovable, were capitalized in block, the buyer being Portland Trust Developements Five SRL.

In file no. 18051/3/2017, according to the Insolvency Procedures Report no. 9152/26.05.2022, the Bucharest Court – VIIIth Civil Section by civil sentence no. 2429 approved the final report of the trustee in bankruptcy, and based on art. 175 paragraph 2 of Law no. 85/2014 on insolvency prevention procedures and insolvency, closed the insolvency procedure against the debtor the Branch Company "Icemenerg-Service" SA by deleting it from the Bucharest Trade Register. The sentence was not communicated to the company until 12/31/2022.

The OPCOM subsidiary was set up on the basis of GD no. 627/2000 on the reorganisation of the National Electricity Company SA, as a subsidiary whose sole shareholder was Transelectrica.

In accordance with the provisions of the primary and secondary legislation in force, the Operator of the Electricity and Natural Gas Market "OPCOM" S.A. performs the role of administrator of the electricity market, providing an organized, viable and efficient framework for the conduct of commercial transactions

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

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in the wholesale electricity market and carries out activities of administration of the centralized markets in the natural gas sector, under conditions of consistency, fairness, objectivity, independence, fairness, transparency and non-discrimination.

The fully subscribed share capital of OPCOM as at 31.12.2022 is 31,366, Transelectrica being the majority shareholder at that date. The shareholder structure is as follows:

- CNTEE Transelectrica SA - 97.84% - CNTEE
- The Romanian State through the General Secretariat of the Government - 2.16%.

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

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

Loss of control

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

(ii) Transactions eliminated from consolidation

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

(b) Tangible assets

One's assets

Tangible fixed assets, with the exception of tangible fixed assets in progress, are stated at re-assessed value, less the accumulated depreciation and accumulated depreciation losses. Tangible fixed assets in progress are stated at cost. The cost of self-built assets includes the cost of materials, direct wages, the initial estimate, where applicable, of the costs of dismantling and moving elements and restoring the site, and a share of indirect expenses.

Recognition

Tangible fixed assets are initially valued at cost.

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

- the cost of materials and direct personnel expenses;
- other costs directly attributable to bringing the assets to the place and required state/stage for the intended use;
- capitalized debt costs.

Depreciation adjustments are recorded for unused or used tangible fixed assets.

Later expenses

The Company recognizes in the accounting value of an element of tangible fixed assets the cost of replacing part of an item of fixed asset if, at the time the cost is incurred, it is probable that future

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economic benefits related to the item will be generated to the Company and the cost of the item can be measured reliably.

All other costs are recognized in the profit and loss account when they occur.

Depreciation

Tangible fixed assets are depreciated using the straight-line method over their useful lives as follows:

	Normal operational period (years)
Buildings and special installations	40 – 60
Plant and equipment	15 – 40
Metering and control devices	7 – 12
Vehicles	5 – 8
Other tangible fixed assets	3 – 5

Lands are not depreciated. When the elements of a tangible fixed asset have different operating periods, they are recorded as separate elements (major components) of an asset. Asset depreciation methods, useful life cycles and residual values are reviewed at each reporting date and adjusted, if necessary.

Revaluation

The Group opted for the presentation of tangible fixed assets at the re-assessed value, with the exception of advances and tangible fixed assets in progress which are presented at historical cost.

Revaluations are carried out by independent expert appraisers, with sufficient regularity so that the accounting value does not differ significantly from the value that can be determined based on the fair value on the reporting date.

(c) Public patrimony

In accordance with the provisions of Law no. 123/2012, with subsequent amendments and additions, the electric energy transmission grid existing on the territory of Romania is the public property of the state.

Government Decision no. 627/2000 establishes in appendix no. 8 the inventory of the immovable assets that make up the public domain of the state, taken over in administration by the Company as of August 1, 2000 and which are inventoried and updated as often as necessary, by legislative document (Governmental decision).

In accordance with the provisions of Law no. 213/1998 and Law no. 219/1998, the Ministry of Economy concessioned on behalf of the state to the Company, the transmission grid (high voltage lines and electrical stations) and the lands on which it is located. Thus, on June 29, 2004, it was concluded the concession contract no. 1 between the Ministry of Economy and the Company for all tangible fixed assets from the public patrimony in balance on December 31, 2003 for a period of 49 years.

As a result of the signing of the concession contract with the Ministry of Economy on behalf of the Romanian State, on June 29, 2004, the nature of the relationship between it and the Company changed and therefore, the Company proceeded to derecognize the assets from the public patrimony, including the reserve of the public patrimony from within the equity capital. After the conclusion of the concession contract, the Company treats the assets over which it has the right of use as an operating lease. Payments related to the concession contract (royalty) are recognized as expenses in the profit and loss account by the Company during the year.

Concession contract no. 1/2004 was published in the Official Gazette of Romania no. 298 bis of April 30, 2015. During the years 2005-2013, seven addenda were concluded to the concession contract.

Considering the provisions of Government Decision no. 1009/2012 and Government Decision no. 984/2012 by which it was approved the amendment of Appendix no. 7 to Government Decision no. 1705/2006 for the approval of the centralized inventory of the goods from the public domain of the state concessioned to the Company, as a result of the inventory of the goods belonging to the public domain of the state in 2012 and the revaluation/evaluation of these goods, on 14.02.2013 it was concluded with the Ministry of Economy addendum no. 7 to the Concession Agreement no. 1/29.06.2004.

By Government Decision no. 1032 of December 11, 2013, published in the Official Gazette no. 22 of January 13, 2014, it was approved the amendment and completion of appendix no. 7 to Government Decision no. 1705/2006 for the approval of the centralized inventory of goods in the public domain of the state, as a result of the inventory of goods belonging to the public domain of the state in 2012.

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By Government Decision no. 615 of September 5, 2019, published in the Official Gazette no. 730 bis 2019, it was approved the modification and completion of appendix no. 7 to Government Decision no. 1705/2006 for the approval of the centralized inventory of goods in the public domain of the state, as a result of the inventory of goods belonging to the public domain of the state in 2017 for the period 2013-2017, but until this moment it was not concluded the addendum no. 8 to Concession Agreement no. 1/2004.

The main terms of the concession contract are as follows:

- The Ministry of Economy has the ownership title to the assets that are the subject of the contract;
- The Group has the right to use these assets for a period of 49 years, from June 1, 2004 to May 31, 2053;
- The annual fee paid by the group in the form of a royalty for the use of these assets is established by the Ministry of Economy and represents 1/1000 of the income from the electric energy transmission activity, for the quantity actually transmitted;
- The assets will come into the possession of ME upon termination or expiration of the contract; the contract can be terminated unilaterally by either party;
- The group has the obligation to use the assets in accordance with the provisions of the concession contract and operating license.

As of November 12, 2020, the Electric Energy Law no. 123/2012, which in art. 19, para. (1[^]1) provides: "the annual royalty related to the concession in the field of electricity transmission is 0.4% of the value of the gross revenues obtained from electric energy transmission and transit operations and is paid by the transmission and system operator as licensee".

The fee paid by the Company according to the concession contract and the Electric Energy Law no. 123/2012, with subsequent amendments and additions, for the period January 1 - December 31, 2022 is significantly lower than the depreciation that the Group would have recorded for the respective assets if this contract had not existed. However, the Group has not recorded any amount related to this potential benefit in the financial statements because it cannot estimate the amount paid for the use of these assets by a third party in an objectively determined price transaction.

The investments made by the Company from its own financing sources in the assets that are the subject of the concession contract are capitalized and depreciated over the remaining life cycle of the assets. After recovering the depreciation of the investment, they will be included in the inventory of goods in the public domain of the state.

In the case of goods representing completed fixed assets, made from own sources of financing, they will be included in the inventory of goods in the public domain of the state after the recovery of the depreciation of the investment, respectively at the expiration of the normal period of use, of the concession or lease contract, according to the legal provisions in force, based on a normative document adopted in this regard.

(d) Intangible assets

Intangible fixed assets acquired by the Group are stated at cost less accumulated depreciation and accumulated losses from the depreciation of the intangible fixed assets. Depreciation is recognized in the profit and loss account based on the straight-line method over the estimated life of the intangible assets. Most of the intangible assets recorded by the Group are intangible assets in progress and dedicated computer programs. They are depreciated linearly over a period of 3 years.

Asset depreciation methods and useful lives are reviewed at each reporting date and adjusted if necessary.

Later expenses

Subsequent expenses are capitalized only if it is probable that future economic benefits related to the subsequent expenses will be generated to the Company.

(e) Foreign Currency Transactions

Foreign currency transactions are expressed in RON by applying the exchange rate from the date of the transaction. Monetary assets and liabilities expressed in foreign currency at the end of the year are expressed in RON at the exchange rate of that date. Gains and losses from exchange rate differences, achieved or non-achieved, are recorded in the profit and loss account of the respective financial year. The exchange rates at 31 December 2022 and 31 December 2021 are as follows:

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

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Currency	31 december 2022	31 december 2021
1 EUR	4,9474	4,9481
1 USD	4,6346	4,3707

Non-monetary assets and liabilities expressed in a foreign currency are measured at fair value at the exchange rate on the date of the transaction.

(f) Receivables

Trade receivables are initially recorded at fair value and subsequently assessed using the effective interest method less value losses. The loss of value is recognized when there is clear evidence that the Group it will not be possible to collect the receivables at the established term. The debtor's significant financial difficulties, the probability that it will enter bankruptcy or financial reorganization, payment delays (more than 180 days) are considered indications that these receivables may require value adjustments.

A value loss on an asset is the difference between its accounting value and the present value of expected future updated cash flows using the asset's original effective interest rate. The accounting value is reduced by using a value loss account, and the loss is recorded in the profit and loss account under the item "Other operating expenses".

(g) Inventories

Inventories are made up of:

- raw materials, materials, spare parts that do not meet the definition of tangible assets and other consumables to be used in the Group's core activity;
- security and intervention stocks intended for the rapid remediation of faults occurring at RET installations in order to ensure the safe operation of SEN. These materials are recorded as inventory at the time of purchase and are registered at expenses at the time of consumption or are capitalized as appropriate.

Stocks are assessed at the lowest value between cost and the net achievable value. The cost of stocks consumed is determined based on the FIFO method and includes acquisition costs. Net achievable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, if any, and the selling expenses.

It is the Group's policy to record a 100% value loss on inventory older than 365 days that will not be used in the future, except safety and intervention inventories.

(h) Cash and cash equivalents

Cash and cash equivalents include cash desk, current accounts and bank deposits with an original maturity of up to 3 months that are subject to an insignificant risk of change in fair value.

(i) Revaluation reserves

After recognition as an asset, an item of tangible fixed assets which fair value can be measured reliably is carried at a re-assessed amount, which is its fair value at the re-assessment date less any subsequently accumulated depreciation and any accumulated depreciation losses. Re-assessments are made with sufficient regularity to ensure that the accounting value does not differ materially from what would have been determined using fair value at the balance sheet date.

If the accounting value of an asset is increased as a result of a revaluation, this increase is recorded directly in equity in the revaluation reserve. However, the increase is recognized in profit or loss account to the extent that it offsets a decrease from the re-assessment of the same asset previously recognized in profit or loss account.

If the accounting value of a tangible fixed asset is reduced as a result of a re-assessment, this reduction is recognized in the profit or loss account. However, the decrease is made by reducing the re-assessment reserves, to the extent that there is a credit balance in the re-assessment surplus for that tangible asset.

The re-assessment reserve included in equity related to an item of tangible fixed assets is transferred directly to the carried-forward result to the extent of depreciation of the re-assessed tangible fixed asset and when the asset is derecognised.

Starting from May 1, 2009, the reserves from the re-assessment of tangible assets, including land, carried out after January 1, 2004, which are deducted in the calculation of taxable profit by means of fiscal

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

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depreciation or expenses regarding assets transferred and/or scrapped, are taxed simultaneously with the deduction of fiscal depreciation, respectively at the time of the removal from management of these fixed assets, as the case may be.

The Group recorded deferred tax for the liability regarding the reserves from the re-assessment of fixed assets, including land, made after January 1, 2004.

Reserves from the re-assessment of tangible assets, including land, carried out until December 31, 2003, as well as the portion of the re-assessment carried out after January 1, 2004 and related to the period up to April 30, 2009 will not be taxed at the time of the transfer in the carried-forward result.

The Group did not register deferred tax for the liability regarding the reserves from the re-assessment of fixed assets, including land, carried out until December 31, 2003.

The reserves from the re-assessment of tangible assets are taxable in the future, in the event of a change in the destination of the reserves in any form, in the case of liquidation, merger of the Group, including its use to cover accounting losses, except for the transfer, after May 1, 2009, of reserves related to assessment made after January 1, 2004 in the carried-forward result, which are taxed simultaneously with the deduction of fiscal depreciation.

(j) Depreciation of non-financial assets

The accounting values of the Group's non-financial assets, other than inventories and deferred tax receivables, are reviewed at each reporting date to determine whether there is evidence of depreciation. A depreciation loss is recognized if the accounting value of an asset or cash-generating unit exceeds its estimated recoverable value.

The recoverable value of an asset or cash-generating unit is the maximum between the value of use and fair value less costs to sell. In determining value of use, the expected future cash flows are updated to determine the present value using a pre-tax updating rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For depreciation testing, assets that cannot be individually tested are grouped at the level of the smallest group of assets that generate cash inflows from continuing use and that are largely independent of the cash inflows generated by other assets or groups of assets ("cash generating unit").

depreciation losses are recognized in the profit or loss account. depreciation losses recognized in connection with cash-generating units are allocated with priority to the reduction in the accounting value of the goodwill allocated to the cash-generating units (group of cash-generating units), if applicable, and then pro-rata to the reduction in the accounting value of the other assets within the cash-generating unit (group of cash-generating units).

A goodwill depreciation loss is not carried forward. For other assets, the depreciation loss is resumed only to the extent that the accounting value of the asset does not exceed the accounting value that could have been determined, net of depreciation, if no depreciation had been recognised.

(k) Share capital

Ordinary shares are classified as part of equity. Additional costs directly attributable to the issuance of ordinary shares and stock options are recognized as a reduction of equity to net of tax effects.

(l) Dividends

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

(m) Trade and other liabilities

Debts to suppliers and other debts are recorded at depreciated cost and include the value of invoices issued by suppliers of products, works performed and services rendered.

(n) Interest-bearing loans

Loans are initially recognized at fair value, net of transaction costs. Subsequent to initial recognition, loans are recorded at depreciated cost, with any difference between cost and repayment amount being recognized in profit and loss account over the term of the loan based on an effective interest rate.

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

(o) Recognition and derecognition of non-derivative financial instruments

Non-derivative financial assets

The Group initially recognizes receivables on the date they are initiated. All other financial assets are initially recognized on the transaction date, when the Group becomes a party to the contractual terms of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows generated by the asset expire or when the rights to collect the contractual cash flows of the financial asset are transferred through a transaction whereby the risks and benefits of ownership of the financial asset are transferred to significantly. Any interest in the transferred financial asset that is created or held by the Group is recognized separately as an asset or a liability.

Financial assets and debts are offset, and the net value is presented in the statement of financial position only when the Group has the legal right to offset the amounts and intends to either settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Group's non-derivative financial assets are primarily trade and other receivables and cash and cash equivalents.

Non-derivative financial debts

The Group initially recognizes issued debt instruments and subordinated liabilities on the date they are originated. All other liabilities (including liabilities designated at fair value through profit or loss account) are initially recognized on the transaction date when the Group becomes a party to the contractual terms of the instrument.

The Group derecognizes a financial liability when the contractual obligations are paid or are canceled or expire.

The Group classifies non-derivative financial debts in the category of other financial liabilities. These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are valued at depreciated cost using the effective interest method.

Other non-derivative financial debts comprise loans, trade debts and other debts.

(p) Income tax

The expense with the tax on profit comprises current tax and deferred tax. Current tax and deferred tax are recognized in the profit or loss account unless they are related to business combinations or to elements recognized directly in equity or other elements of global result.

(i) Current tax

Current tax is the tax expected to be paid or received on the tax profit or loss achieved in the current year, using tax rates adopted or substantially adopted at the reporting date, as well as any adjustment for income tax liabilities for the previous years.

(ii) Deferred tax

Deferred tax is recognized for temporary differences that arise between the accounting value of assets and liabilities used for financial reporting purposes and the tax base used for tax calculation.

Deferred tax is not recognized for:

- temporary differences that arise upon initial recognition of assets and liabilities arising from transactions that are not business combinations and that do not affect accounting or tax profit or loss;
- temporary differences arising from investments in subsidiaries or jointly controlled entities, to the extent that they are likely not to be resumed in the foreseeable future; and
- the temporary differences resulting from the initial recognition of goodwill.

The deferred tax assessment reflects the tax consequence that would arise from how the Group expects, at the end of the reporting period, to recover or settle the accounting amount of its assets and liabilities.

Deferred tax is calculated based on the tax rates that are expected to be applicable to the temporary differences upon their resumption, based on legislation enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are offset only if there is a legal right to offset current tax assets and liabilities and if they relate to taxes levied by the same tax authority for the same taxable entity or for different tax entities that intend to settle the receivables and current tax liabilities on a net basis or which tax assets and liabilities will be achieved simultaneously.

A deferred tax receivable is recognized for unused tax losses, tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits can be used to cover the fiscal loss. Deferred tax receivables are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be achieved.

(iii) Exposure to the income tax

The Group considers the impact of the tax position as being uncertain, and whether additional taxes and interest may be due, in determining the amount of current and deferred tax. This assessment is based on estimates and assumptions and may involve a number of professional judgments regarding future events. New information may become available that causes the Group to modify its professional judgments regarding the adequacy of existing tax liabilities; such changes in tax liability may impact income tax expense in the period in which such determination occurs.

(q) Employees' benefit

Other long-term employee benefits

The Group's net obligation for long-term employee benefits, other than pension plans, is the amount of future benefits that employees have earned in exchange for services rendered in the current and prior periods. This benefit is updated to determine its fair value, and the fair value of any related asset is deducted. These benefits are estimated using the projected credit factor method. Any actuarial gains or losses are recognized in other elements of the global result in the period in which they arise. Other long-term employee benefits are jubilee bonuses.

Cash-settled share-based payment transactions

The fair value of the liability to employees in respect of stock appreciation rights that are settled in cash is recognized as an expense corresponding to an increase in the liability in the period in which the employees obtain the unconditional right to the payment. Until the liability is settled, the Group must re-assess the fair value of the liability at each reporting date and at the settlement date, with any changes in fair value being recognized in the profit and loss account for the period.

The Group recognizes services received and a liability to pay for those services as employees perform the services.

Certain share appreciation rights vest immediately and therefore employees are not required to complete a specified period of service to be entitled to the cash payment. In such cases, the Group recognizes the entire value of the premium as an expense at the date of grant.

Short-term employee benefits

Short-term benefit obligations are assessed on a non-updated basis and are recognized as expenses as the services are rendered. A provision is recognized at the estimated amount to be paid for short-term benefits in the form of bonuses or employee profit-sharing, only if the Company has a present, legal or implied obligation to pay this amount for past services rendered by employees, and this obligation can be estimated. Short-term employee benefits are mainly wages.

In the normal course of business, the Group makes payments on behalf of its employees to the pension fund. All employees of the Group are members of the pension plan of the Romanian State. These payments are registered as expense as the services are rendered by the employees

(r) Revenues

Revenue is recognized when the significant risks and benefits have been transferred to the buyer, the obtaining of the economic benefits is probable and the associated costs can be estimated fairly. The revenues mainly consist of revenues from the transmission service, from the system service and from the balancing market calculated according to the volume of energy delivered to consumers. The tariffs for transmission and system services are regulated by ANRE. Revenue also includes the value of the transactions carried out in the balancing market, as described in Note 1.

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

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

The Romanian state, through ANRE, regulates the tariffs charged by the Group for the electric energy transmission service and for the system operator service. The Romanian state fulfills several roles apart from that of the majority shareholder and, as a result, could have more comprehensive objectives and goals than an investor which main interest is the return on investment.

As mentioned in Note 1, the Company is also the administrator of the bonus support scheme for the promotion of high efficiency cogeneration. The company acts as an agent as it is involved in the collection and distribution of money.

Also, the Company and OPCOM SA are involved in the price coupling mechanism of regional markets based on ANRE Order no. 82/2014 (see Note 1).

Therefore, within the price coupling mechanism of regional markets, CNTEE Transelectrica SA:

- fulfills the role of default participant on PZU and PI and has the capacity of transfer agent;
- provides the interconnection capacity for the physical delivery of electric energy traded on PZU and PI, respectively the transfer of energy from one bidding area to another through the interconnection lines, being limited by their available transfer capacity.

Connection fees

IFRIC 18 "Transfers of Assets from Customers" applies to contracts with customers where the Company collects cash from a customer when the cash is to be used only for the construction or acquisition of an item of tangible fixed assets, and the Company is then to use this tangible fixed asset to connect customers to the network.

Electric energy and natural gas law no. 123/2012, with subsequent amendments and additions, provides in art. 25 para. (1) as follows: "...Connection to public interest power grids and access to public interest power grids represent mandatory services, under regulated conditions, that must be performed by the transmission and system operator, as well as the distribution operator, including the energy communities of the citizens who manage the distribution grids."

The connection tariff is a regulated tariff that represents the expenditure incurred by a grid operator for carrying out the works of connecting a user's place of consumption and/or production to the power grid.

Provided that the connection of a customer to the electric transmission grid is not a separate component of the connection contract, the connection tariffs are recognized in the profit or loss account systematically over the useful life of the asset.

The company recognizes the cash available from the connection fee in the credit of the "Advance income" account in the statement of financial position and subsequently recognizes the income in the "Other income" category in the profit and loss account, systematically over the useful life of the asset.

(s) Net financing costs

Net financing costs include interest on loans calculated using the effective interest rate method, less borrowing costs capitalized as part of the cost of assets with long manufacturing cycle, dividend income, favorable and unfavorable foreign exchange differences, fees and risk fees.

In accordance with the revised SIC 23 "Borrowing costs" and invoking the optional exception from retrospective application under IFRS 1 "First-time adoption of IFRS", the Group capitalizes borrowing costs related to assets that require a long period of time to be put into operation or sold for which the financing was obtained after January 1, 2011, the date of transition to IFRS.

Interest income is recognized in the profit and loss account in the year in which it occurs, using the effective interest rate method. Dividend income is recognized in the profit and loss account on the date the Group's right to receive dividends is recognized.

(t) Subsidies

Subsidies related to assets are initially recognized as "revenue in advance" at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the subsidies, and then the subsidies are recognized in the profit and loss account as other operating income over the useful life of the asset to which it relates. Non-reimbursable funds are recognized as assets when there is reasonable assurance that they will be received by meeting the related conditions.

(u) Provisions

A provision is recognized when, and only when, the following conditions are met:

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

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Notes to the consolidated financial statements as at December 31, 2022

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

- The company has a current obligation (legal or implied) as a result of a past event;
- it is likely (ie, more likely than not) that an outflow of resources representing economic benefits will be required to settle the obligation;
- when a fair estimate can be made as to the amount of the obligation.

Where the effect of the time value of money is significant, the value of a provision is the present value of the expenditure expected to be required to settle the obligation.

(v) Result per share

In accordance with SIC 33 "result per share", result per share is calculated by dividing the profit or loss attributable to the Group's shareholders by the weighted average of the ordinary shares of the period.

Weighted average shares outstanding during the financial year is the number of shares outstanding at the beginning of the period, adjusted for the number of shares issued, multiplied by the number of months the shares were outstanding during the financial year.

Dilution is a reduction of the result per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, or that ordinary shares are issued upon the fulfillment of certain specified conditions. The purpose of diluted result per share is similar to that of basic result per share, namely to assess the interest of each ordinary share in the performance of an entity.

(w) Contingencies

Contingent liabilities are not recognized in the attached financial statements. They are presented when the outflow of resources embodying economic benefits is possible and not probable.

A contingent asset is not recognized in the accompanying financial statements, but is presented when an inflow of economic benefits is probable.

(x) Operational segments

An operating segment is a component of an entity:

- who engages in activities from which it can obtain income and from which it can bear expenses (including income and expenses related to transactions with other components of the same entity);
- which activity results are periodically reviewed by the main decision-making factor of the entity in order to make decisions regarding the allocation of resources per segment and the evaluation of its performance; and
- for which separate financial information is available.

The Group carries out its operations in several locations in Romania, which are engaged in both transmission and dispatching activities. The Group's management considers the operations in their entirety as "one segment".

Operating segments are presented in a manner consistent with the internal reporting provided by the entity's chief operating decision-maker in order to make decisions regarding the allocation of resources by segment and to evaluate its performance.

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

The following new standards and amendments to existing standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) that have not yet entered into force for the annual financial reporting period ended 31 December 2022 and have not had an impact or were not applied to the preparation of these financial statements: [IAS 8.30 (a)]

Norm / Interpretation [IAS 8.31 (a), 8.31(c)]	Type of imminent amendment of accounting policy [IAS 8.31 (b)]	Possible impact over financial statements [IAS 8.31 (e)]
Amendment to IFRS 17 "Insurance contracts". Initial application of IFRS 17 and IFRS 9 - comparative information (published 9 December 2021).	This amendment presents a transition option regarding the comparative information about financial assets presented on the initial application of IFRS 17.	The adoption of the amendments will not have an impact on the consolidated financial statements, as this standard is not applicable at the date of preparation of the individual financial statements

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

NPG TRANSELECTRICA SA**Notes to the consolidated financial statements as at December 31, 2022***(All amounts are in thousand LEI, unless stated otherwise)*

Norm / Interpretation [IAS 8.31 (a), 8.31(c)]	Type of imminent amendment of accounting policy [IAS 8.31 (b)]	Possible impact over financial statements [IAS 8.31 (e)]
Changes to references to the general conceptual framework in IFRS 2018-2020 standards (effective for annual periods beginning on or after January 1, 2022)	The objective of the changes is to update the existing references to the previous frameworks, replacing them with references to the revised general conceptual framework, from several standards and interpretations, such as: IFRS 1 "First application of International Financial Reporting Standards", IFRS 9 "Financial instruments", IFRS 16 "Leasing" and IAS 41 "Agriculture".	The adoption of these amendments had no impact on the consolidated financial statements of 2022.
Amendment to IAS 1 - Classification of current and non-current liabilities (applicable starting January 1, 2024). This amendment was published in January 2020 and is the subject of future improvements, most likely the effective date of application will be January 1, 2024, according to the exposure draft published in Q4 2021 - presentation of accounting policies. This amendment was adopted by the EU on 2 March 2022 and is applicable from 1 January 2023.	The amendment clarifies how debts and other financial liabilities should be classified as current or non-current.	The adoption of the amendments will not have an impact on the consolidated financial statements.
Amendments to IAS 8 – definition of accounting estimates (applicable from 1 January 2023).	The amendment clarifies how companies should distinguish between a change in policy and a change in estimate.	The adoption of the amendments will not have an impact on the consolidated financial statements, as this standard is not applicable at the date of preparation of these financial statements. It is estimated that it will not have a significant impact in the future.
Amendment to IAS 12 – Deferred tax – resulting deferred tax related to assets and liabilities resulting from a single transaction (applicable from 1 January 2023).	The amendment narrows the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences.	The adoption of the amendments will not have an impact on the consolidated financial statements, as this standard is not applicable at the date of preparation of these financial statements. It is estimated that it will not have a significant impact.

The Group anticipates that the adoption of these standards and amendments to existing standards will not have a material impact on the financial statements of the Group during the period of initial application.

4. DETERMINING THE FAIR VALUE

Some of the Group's accounting policies and disclosure requirements require the determination of fair value for both financial and non-financial assets and liabilities. In determining the fair values of assets and liabilities, the Group uses observable market values as much as possible. Fair values are classified into multiple levels in the fair value hierarchy based on the inputs used in the assessment techniques as follows:

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

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Notes to the consolidated financial statements as at December 31, 2022

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

- Level 1: quoted (unadjusted) prices from active markets for identical assets and liabilities;
- Level 2: inputs, other than quoted prices included in level 1, that are observable for assets or liabilities, either directly (eg: prices) or indirectly (eg: derived from prices);
- Level 3: inputs for assets and liabilities that are not based on observable market data.

Fair values were determined for assessment and/or reporting purposes based on the methods described below:

(i) Tangible assets

The fair value of items of tangible fixed assets is based mainly on the cost method considering the particularities of the tangible fixed assets owned by the Group, except for assets in progress, which are accounted for in accordance with the cost model.

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Notes to the consolidated financial statements as at December 31, 2022

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

5. TANGIBLE ASSETS

From 1 January 2021 și 31 December 2022, tangible assets evolved as follows:

	Land and land planning	Buildings and special installations	Plant and equipment	Metering and control devices	Vehicles	Other tangible fixed assets	Tangible assets in progress	Total
COST								
Balance on 01 January 2021	88,577	1,424,019	1,661,185	185,679	55,300	295,407	643,223	4,353,390
Inflows	-	-	536	492	242	137	506,285	507,692
Transfers from tangible assets in progress	1,023	59,616	182,541	10,455	308	340	(254,282)	-
Reclass between assets accounts	-	-	-	-	-	-	(906)	(906)
Outflows	(524)	(156)	(607)	(183)	(298)	(393)	(309)	(2,471)
Impact of revaluation	-	-	-	-	-	-	-	-
Balance on 31 December 2021	89,076	1,483,479	1,843,655	196,442	55,552	295,491	894,011	4,857,705
Balance on 01 January 2022	89,076	1,483,479	1,843,655	196,442	55,552	295,491	894,011	4,857,705
Inflows	-	-	605	828	1,912	69	436,051	439,465
Transfers from tangible assets in progress	144	75,353	173,321	37,899	15	97	(286,804)	24
Reclass between assets accounts	-	-	-	-	-	-	(2,302)	(2,302)
Outflows	-	(1,771)	2,185	(373)	(1,350)	(6,260)	(173)	(7,742)
Impact of revaluation	-	-	-	-	-	-	-	-
Balance on 31 December 2022	89,220	1,557,060	2,019,765	234,796	56,129	289,397	1,040,783	5,287,151
Accumulated depreciation								
Balance on 01 January 2021	138	151,903	163,655	52,941	41,399	263,185	-	673,221
Depreciation expense	-	72,609	160,431	28,338	4,350	7,838	-	273,566
Accumulated depreciation of outflows	-	(97)	(137)	(183)	(298)	(393)	-	(1,109)
Impact of revaluation	-	-	-	-	-	-	-	-
Balance on 31 December 2021	138	224,416	323,949	81,096	45,451	270,630	-	945,679

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

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Notes to the consolidated financial statements as at December 31, 2022

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

	Land and land planning	Buildings and special installations	Plant and equipment	Metering and control devices	Vehicles	Other tangible fixed assets	Tangible assets in progress	Total
Balance on 01 January 2022	138	224,416	323,949	81,096	45,451	270,630	-	945,679
Depreciation expense	-	69,444	149,643	27,314	3,462	7,167	-	257,030
Accumulated depreciation of outflows	-	(1,148)	2,295	(367)	(1,350)	(6,260)	-	(6,830)
Impact of revaluation	-	-	-	-	-	-	-	-
Balance on 31 December 2022	138	292,711	475,886	108,044	47,562	271,538	-	1,195,879
DEPRECIATION ADJUSTMENTS								
Balance on 01 January 2021	-	14,068	(4)	-	-	-	29,844	43,906
Expenditures with impairment adjustments	-	-	-	-	-	-	(13,321)	(13,321)
Balance on 31 December 2021	-	14,068	(4)	-	-	-	16,522	30,585
Balance on 01 January 2022	-	14,068	(4)	-	-	-	16,522	30,585
Expenditures with impairment adjustments	-	-	-	-	-	-	(3,162)	(3,162)
Balance on 31 December 2022	-	14,068	(4)	-	-	-	13,360	27,422
Net accounting value								
Balance on 31 December 2021	88,938	1,244,995	1,519,710	115,346	10,101	24,861	877,488	3,881,441
Balance on 31 December 2022	89,082	1,250,281	1,543,883	126,753	8,567	17,859	1,027,423	4,063,849

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

The total net value of tangible fixed assets is positive on December 31, 2022 compared to December 31, 2021, in the context of an increase in the amounts of tangible fixed assets in progress represented, mainly, by the realization of investment works in high-voltage power stations and lines, as follows:

- LEA 400 kV d.c. Gutinaş – Smârdan – 118,799;
- LEA 400 kV d.c. Cernavodă - Stâlpu and connection in Gura Ialomiței - 52,412;
- Modernization of Arefu 220/110/20 kV Station – 27,272;
- Refurbishment of the 220/110 kV Iaz Station – 24,821;
- Refurbishment of the Ungheni 220/110/20 kV Station – 24,673;
- Switching to 400 kV voltage of Portile de Fier - Resita - Timisoara - Săcălaz - Arad - Stage I - LEA 400kV s.c. Porțile de Fier - (Anina) – Reșița – 22,901;
- Installation of AT2 400 MVA, 400/231/22 kV as well as related cells in the Iernut Station and modernization of the command control system of the 400/220/110/6 kV Iernut Station – 16,303;
- Modernization of Munteni 400 (220)/110/20 kV Station – 16,003;
- Increasing the transmission capacity of LEA 220kV Stejaru - Gheorgheni - Fântânele -15,913;
- Refurbishment of the Smârdan 400/110/20 kV Station – 14,996;
- Refurbishment of the 220/110/20 kV Baru Mare Station – 14,365;
- Switching to 400 kV voltage of Portile de Fier - Reșița - Timișoara - Săcălaz - Arad - Stage I - 400/220/110 kV Reșița Station – 11,331;
- Replacement of AT and Transformer in Electric Stations - Stage 2, phase 2 - LOT 1 - LOT 2 – 10,418;
- Modernization of the Dumbrava 220/110 kV Station – 9,561;
- Relocation of 220 KV and 400 KV power grids at the intersection with the Bucharest Ring Road - 8,525;
- Stâlpu 400 kV station – 7,145;
- Extension of Gura Ialomiței 400 kV Station with two cells: LEA 400 kV Cernavodă 2 and 3- 6,526;
- The purchase and installation of 21 monitoring systems for the transformation units in the CNTEE Transelectrica SA stations – 5,032;
- The evacuation of the site and the creation of the coexistence conditions between the objective "Suspended bridge over the Danube in Brăila area" belonging to CNAIR SA and the power grids managed by CNTEE Transelectrica SA - 4,911;
- Power supply modernization at UNO-DEN headquarters – 4,442;
- Connecting the 400 kV Isaccea - Varna LEA and the Isaccea - Dobruja LEA to the 400 kV Medgidia Sud Station – 4,169;
- LEA 220 kV double circuit Ostrovu Mare - RET (H.CA no. 17/2007) – 4,075;
- LEA diversion 220 kV Ampoi Alba Iulia area – 3,430;
- Refurbishment of the 220/110 kV Filești Station - 3,112;
- LEA 400 kV Gădălin - Suceava, including interconnection to SEN (H.CA no. 7/08.07.2010) – 2,359;
- System for metering and management of electric energy measurement data on the wholesale market – 2,281;
- Connection of the 400 kV Isaccea - Varna LV and the 400 kV Isaccea - Dobruja LV in the Medgidia Sud 400 kV Station Stage II - 400 kV d.c. LV Connections at Medgidia Sud Station – 1,885;
- Provisional works for the 220kV LEA Lacu Sărat-Filești, to ensure the execution conditions for the relocation of utilities, by vacating the site and achieving the coexistence conditions between the "Suspended Bridge over the Danube" in the Brăila area - 1,528;
- Refurbishment of the Pelicanu 400/110 kV electrical transformer station – 1,151;
- Refurbishment of the 220/110 kV Hășdat Station - 1,269;
- Center for research and development of working technologies under voltage (LST) and rapid intervention in SEN - stage II -1,143;
- Pilot Project - Refurbishment of the 220/110/20 kV Alba Iulia Station in digital station concept – 1,071;

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

- Design and execution of Craiova-Pitesti Express Road - Section 1 – 987;
- Replacement of circuit breakers in electrical stations - Stage II – 982;
- Modernization of the 110 kV and 400 (220 kV) installations in Focșani Vest Station – 921;
- Refurbishment of the 220/110 kV Craiova Nord Station – 909;
- Accumulator batteries in Suceava 400/220/110/20 kV Station, Roman Nord 400/110 kV Station and Focșani Vest 220/110/20 kV Station – 792;
- Refurbishment of the 220/110 kV Turnu Severin Est Station – 762;
- Modernization of the 220/110/20kV Vetiş Station - primary equipment – 679.

In 2022, the largest transfers from tangible fixed assets in progress to tangible fixed assets are mainly represented by the commissioning of investment objectives, as follows:

- Connection of the Isaccea-Varna 400 kV LEA and the Isaccea-Dobrudja 400 kV LEA in the Medgidia Sud 400 kV Station, Stage I - Extension of the Medgidia Sud 400 kV Station – 58,635;
- Refurbishment of the 220/110 kV Hășdat Station – 54,285;
- Refurbishment of the 220/110 kV Iaz Station – 40,943;
- Modernization of the 220/110/20 kV Răureni Station – 25,429;
- Installation of AT2 400 MVA, 400/231/22 kV, as well as related cells in the Iernut Station and modernization of the command and control system of the 400/220/110/6 kV Iernut Station – 22,933;
- Replacement of AT and Transformer in electrical stations - Stage 2, phase 2 - LOT 1 - LOT 2 – 15,338;
- Power supply modernization at UnO-DEN premises – 8,983;
- Relocation of 220 KV and 400 KV electrical networks at the intersection with the Bucharest Ring Road - 8,525;
- Modernization of the 110 kV and 400 (220) kV installations in Focșani Vest Station – 8,336;
- Modernization of the Dumbrava 220/110 kV Station – 8,140;
- Modernization of the 110 kV Bacău Sud and Roman Nord stations related to the 400 kV Moldova axis - 6,904;
- Modernization of the 220/110/20 kV Vetiş Station - primary equipment – 6,660;
- Modernization in order to reduce the effects of galloping on the 400 kV LEA in the Bărăgan - Fetești area. Reducing the effects of galloping on the 400 kV București Sud – Gura Ialomiței LEA and the 400 kV Cernavodă – Gura Ialomiței LEA (circuit 2) – 3,746;
- Relocation of high-voltage grids LEA 220 kV d.c. Lotru – Sibiu Sud, Lot 1 km 0+000 – km 13+170 – 3,280;
- Mobile cells of 110 kV, 220 kV and 400 kV – 3,064;
- Consolidation of servers and data storage network (private cloud) – 2,620;
- Performance of optical fiber communication between the Pitești Sud Station and the Remote Control and Installation Supervision Center of UTT Pitesti (SF) – 1,772;
- Refurbishment of Craiova Nord 220/110 kV Station – 1,080;
- Design and execution of the Craiova - Pitesti Express Road Section 1 - 987;
- Accumulator batteries in Suceava 400/220/110/20 kV Station, Roman Nord 400/110 kV Station and Focșani Vest 220/110/20 kV Station – 792;
- Refurbishment of the 220/110 kV Turnu-Severin Est Station – 762;
- Regulation of LEA 400 kV Bradu - Brașov with road inside the protection and safety zone of LEA 400 kV Bradu - Brașov, the opening between the pillars no. 393, no. 394 and no. 395 – 551;
- Sebeș-Turda highway, Lot 1-km0+000-Km17+100 Section A-0+300km – 14+000: Section 2, km 2+400-2+600 – 546;
- Replacement of accumulator batteries no. 1 and no. 2 of 220 Vcc from the 400/220/110 kV Sibiu Sud Station – 377;
- Hydrocarbon (oil) separators for concrete platforms in Isaccea Station (SF) – 372;

- Connecting the 110 kV Ploiești Parc Station to the RED with the completion of the works from the related LEA 110 kV Brazi Vest-Ploiești Nord line cell from the Brazi West 400/220/110/20 kV Power Station – 330;
- Connection to the RET for carrying out the works in the Săcălaz 220/110 kV Power Station, following the connection of the new Covaci 110/20 kV 2x25 MVA Power Station in 110 kV LEA Săcălaz – Orțișoara – 321;
- Increasing the capacity of extinguishing coils for treating the neutral of the medium voltage grid – 280;
- Compensation coils 100 MVAR, 400 kV for the 400 kV stations Arad, Bucharest and Bradu – 170;
- DRONES - 9 pieces – 166;
- Connection to SEN of the Nova Power&Gas energy complex with an installed capacity of 48.4 MW, located in the Municipality of Turda and Câmpia Turzii, Cluj County – 162;
- CPE (Customer Premises Equipment) router type equipment – 154;
- Topographic and technical computing equipment (hardware and software): GNSS system and accessories; Total station and accessories; Graphic station; laptop; Topo-geodesy calculation program Toposys; Topo LT application package; Soft Global Mapper – 127;
- Equipment necessary for TEL data centers - Professional air conditioning and air dehumidification units of industrial level – 117.

In 2022, there was an exit from tangible fixed assets in progress through recognition on the Company's operational costs for the project "HVDC Link 400 kV (Submarine Cable Romania - Turkey)", in the amount of 5,854.

The balance of tangible assets under construction on December 31, 2022, in the amount of 1,027.423 (31 december 2021: 877.488), is represented by ongoing projects, the most significant being listed below:

- LEA 400 kV d.c. Cernavodă - Stâlpu and connection in Gura Ialomiței – 347.001;
- LEA 400 kV d.c. Gutinaș – Smârdan – 126,441;
- Switching to 400 kV voltage of Portile de Fier - Reșița - Timișoara - Săcălaz - Arad - Stage I - LEA 400kV s.c. Portile de Fier - (Anina) – Reșița – 115.580;
- Modernization of Munteni 400(220)/110/20 kV Substation – 47,667;
- Connection to RET of CEE 300 MW Ivesti, CEE 88 MW Fălciu 1 and CEE 18 MW Fălciu 2 through the new Station (400)/220/110 kV Banca – 46,885;
- Modernization of Arefu 220/110/20 kV Station – 43,485;
- Refurbishment of the Ungheni 220/110/20 kV Station – 31,741;
- Refurbishment of the Smârdan 400/110/20 kV Station -28,001;
- Refurbishment of the 220/110/20 kV Baru Mare Station – 20,844;
- Switching to 400 kV voltage of the Portile de Fier - Resita - Timișoara - Săcălaz - Arad - Stage I - Resita 400/220/110 kV Station – 20,617;
- Modernization of the Dumbrava 220/110 kV Station – 20,051;
- Extension of the Gura Ialomiței 400 kV Station with two cells: LEA 400 kV Cernavodă 2 and 3-19,337;
- Increasing the transmission capacity of LEA 220kV Ștejaru - Gheorgheni - Fântânele - 16,392;
- Refurbishment of the Medgidia Sud 110 kV Station – 13,764;
- Extension of the 400 kV Cernavodă Station - Stage I+II, Replacement of 2 compensation coils, Connection of new lines – 12,175;
- Mobile cells of 110 kV, 220 kV and 400 kV – 11,281;
- Stâlpu 400 kV station – 9,409;
- Refurbishment of the Timișoara 110 kV Station and Switching to the 400 kV voltage of the Portile de Fier - Anina - Reșița - Timișoara - Săcălaz - Arad axis, stage II: Timișoara 400 kV Station - 8,901;
- LEA 400 kV Gădălin - Suceava, including interconnection to SEN – 8,403;
- The purchase and installation of 21 monitoring systems for the transformation units in the CNTEE Transelectrica SA stations - 7,803;

- Installation of AT2 400 MVA, 400/231/22 kV as well as the related cells in the Iernut Station and the modernization of the command and control system of the 400/220/110/6 kV Iernut Station – 6,921;
- LEA 220 kV double circuit Ostrovu Mare - RET (H.CA no. 17/2007) – 5,656;
- Refurbishment of the 220/110 kV Filești Station – 4,952;
- The vacating of the location and the creation of the conditions of coexistence between the objective "Suspended bridge over the Danube in the Brăila area" belonging to CNAIR SA and the power grids managed by CNTEE Transelectrica SA - 4,911;
- Integrated security system at electrical stations, stage IV – 4,817;
- Modernization of the 110 kV and 400 (220 kV) installations in Focșani Vest Station – 4,510;
- LEA 400 kV Suceava - Balti, for the portion of the project on the territory of Romania - 4,439;
- LEA 220 kV deviation Ampoi - Alba Iulia area – 3,430;
- Switching to 400 kV voltage of the Portile de Fier - Reșița - Timișoara - Săcălaz - Arad axis, stage II, LEA 400 kV d.c. Resita - Timișoara - Săcălaz - 3,375;
- Extension with new functionalities of the control system and computerized record of access to the objectives of CNTEE Transelectrica SA – 3,201;
- Connection to the RET of CEE 136 MW Platonești, Ialomița county, by building a 110 kV cell in the Gura Ialomiței 400/110 kV Power Station – 2,889;
- Integrated security system at electrical stations, stage III – 2,798;
- Metering and data management system for electric energy measurement on the wholesale market - 2,629;
- Pilot Project - Refurbishment of the 220/110/20 kV Alba Iulia Station in the concept of a digital station – 2,621;
- Deviation LEA 110 kV Cetate 1 and 2 in the vicinity of the 110/20/6 kV Ostrovul Mare Station – 2,578;
- Connecting CEE Dumești 99 MW and CEE Românești 30 MW, Iași County, to the RET, by building a 110 kV line cell in the FAI 220/110 kV Power Station – 2,546;
- Connection of the 400 kV Isaccea - Varna LV and the 400 kV Isaccea - Dobruja LV in the Medgidia Sud 400 kV Station Stage II - 400 kV d.c. LV Connections at Medgidia Sud Station – 2,297;
- Refurbishment of the Pelicanu 400/110 kV electrical transformer station – 1,935;
- Replacement of circuit breakers in electrical stations - Stage II – 1,792;
- Consolidation, modernization and extension of CNTEE "Transelectrica" headquarters-Magheru – 1,627;
- Center for research and development of working technologies under voltage (LST) and rapid intervention in SEN - stage II -1,534;
- Provisional works for the LEA 220kV Lacu Sărat - Filești, to ensure the execution conditions for the relocation of utilities, by vacating the site and achieving the coexistence conditions between the "Suspended Bridge over the Danube" in the Brăila area - 1,528;
- Connection of the 400 kV Isaccea - Varna and 400 kV Isaccea - Dobruja power lines to the 400 kV Medgidia Sud station, Stage I - Extension of the 400 kV Medgidia Sud Station – 1,278;
- Integrated security system at the new (400) 220/110 kV Banca Power Station – 1,133;
- LEA 400 kV d.c. (1 c.e.) Constanța Nord – Medgidia Sud – 812;
- Installation of two modern reactive power compensation means in the 400/220/110/20kV Sibiu Sud and 400/220/110/20 kV Bradu Stations – 771;
- Switching to 400 kV of LEA 220 kV Brazi Vest - Teleajen - Stâlpu, including purchase of AT 400MVA 400/220/20 kV, extension works in the related 400kV and 220kV stations, in the 400/220/110kV Brazi West Station–720;
- Switching to 400 kV voltage of Portile de Fier - Anina - Reșița - Timișoara - Săcălaz - Arad axis. LEA 400 kV Timișoara - Arad (stage III) – 625;
- Modernization of the 220/110/20kV Vetis Station - primary equipment – 564;

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

- Refurbishment of the 400 kV Isaccea Station - Stage I - Replacement of compensation coils, related cells and the 400 kV Stupina cell – 544.

In accordance with Art. 46 of ANRE Order no. 59/2013 for the approval of the Regulation on the connection of users to public interest power grids, the taking-over of the installations resulting from the works for the performance of the connection installations and their commissioning is carried out in accordance with the legal provisions in force.

For the project financed from the connection tariff "Connection to the RET of CEE 56 MW Bogdănești, CEE 112.5 MW Deleni, CEE 20.8 MW Viișoara Nord 1, CEE 52.8 MW Viișoara Nord 1, CEE 47.5 MW Viișoara Sud, from the area of some localities in Vaslui county, through the new 400/220/110 kV Banca Power Station" - the work is completed, it has Minutes on the completion of the works no. 34759/14.11.2013, but the technical conditions for drafting the commissioning report were not met. The contract is in force on 31.12.2022, total value of the investment in progress - 48,018.

Special buildings and installations are presented in the financial statements at net value. The company changed the re-assessment registration method on December 31, 2015, moving from the gross to the net method in order to present a clearer, more concise and more relevant picture to the users of the financial statements, without the influence of an artificial distortion of the gross accounting value and depreciation.

Special buildings and installations consist mainly of transformer stations and high-voltage power lines.

The machines and equipment consist mainly of transformers and cells related to the National Energy System (SEN) of 110 kV, 220 kV, 400 kV and 750 kV.

The buildings and special installations were re-assessed on December 31, 2018 by SC JPA Audit & Consultanta SRL, an independent evaluator authorized by the National Union of Authorized Evaluators from Romania.

The assessment was made at the fair value, assuming the continuation of the activity with the use of tangible assets in the existing structure.

In the case of goods belonging to the public domain of the state representing completed fixed assets, made from own sources of financing, they will be included in the inventory of goods from the public domain of the state after the recovery of own sources of financing, at the time of approval, by Government Decision, of the inventory of goods belonging to the public domain of the state.

Special installations, machinery and equipment, measuring and control devices and vehicles were re-assessed on December 31, 2019 by SC JPA Audit & Consultanta SRL, an independent evaluator authorized by the National Union of Authorized Evaluators in Romania (ANEVAR). These assets have been re-assessed primarily using the cost method. Under the cost-based method, the gross replacement cost was determined using the indirect method. The cost-based method was used for considerations related to the specialization of assets for which the insufficiency of market information and/or the absence of an active market was found.

Special installations, machinery, equipment, measuring and control devices and vehicles are presented in the financial statements at their net value. The company changed the re-assessment registration method on December 31, 2019, moving from the gross to the net method in order to present a clearer, more concise and more relevant picture to the users of the financial statements, without the influence of an artificial distortion of the gross accounting value and depreciation.

The lands were re-assessed on December 31, 2019 based on the market method.

On December 31, 2022 and December 31, 2021, the Company has no pledged or mortgaged assets.

Fair value of the tangible fixed assets

The tangible fixed assets of the Company, other than the tangible fixed assets in progress, are presented in the financial statements at the re-assessed value, this representing the fair value on the assessment date, less accumulated depreciation and depreciation adjustments.

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

NPG TRANSELECTRICA SA**Notes to the consolidated financial statements as at December 31, 2022***(All amounts are in thousand LEI, unless stated otherwise)*

The fair value of the Company's land was determined using the direct comparison method.

This method is recommended for properties when there is sufficient and reliable data on transactions or bids for sale of similar properties in the area. The analysis of the prices at which the transactions were carried out or the prices asked or offered for the comparable properties is followed by making corrections to their prices to quantify the differences between the prices paid, asked or offered, caused by the differences between the specific characteristics of each property in part, called items of comparison. The fair value of buildings, equipment and measuring instruments was determined using the cost approach.

This method assumes that the maximum value of an asset for an informed buyer is the amount that is required to buy or build a new asset of equivalent utility. When the asset is not new, all forms of depreciation that can be attributed to it must be deducted from the gross current cost, up to the date of the assessment.

Information regarding the fair value hierarchy at 31 December 2022 and 31 December 2021:

	Level 1	Level 2	Level 3	Fair value as of 31 December 2022
Land and land planning	-	89,082	-	89,082
Buildings and special installations	-	-	1,250,281	1,250,281
Plant and equipment	-	-	1,543,883	1,543,883
Metering and control devices	-	-	126,753	126,753
Vehicles	-	-	8,567	8,567
Other tangible fixed assets	-	-	17,859	17,859
Total	-	89,082	2,947,343	3,036,425

Both during the year 2022 and during the year 2021 there were no transfers between the levels related to the fair value.

	Level 1	Level 2	Level 3	Fair value as of 31 December 2021
Land and land planning	-	88,938	-	88,938
Buildings and special installations	-	-	1,244,995	1,244,995
Plant and equipment	-	-	1,519,710	1,519,710
Metering and control devices	-	-	115,346	115,346
Vehicles	-	-	10,101	10,101
Other tangible fixed assets	-	-	24,861	24,861
Total	-	88,938	2,915,014	3,003,951

The cost value of tangible fixed assets is represented by their fair value from which the value of the revaluation reserve was deducted on December 31, 2022 and December 31, 2021, being presented below:

	Value at cost 31 december 2022	Value at cost 31 december 2021
Land and land planning	24,231	8,150
Buildings and special installations	835,819	786,495
Plant and equipment	1,200,075	1,122,505
Metering and control devices	119,511	96,240
Vehicles	11,902	5,895
Other tangible fixed assets	17,854	28,239
TOTAL	2,209,393	2,047,524

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

On December 31, 2022 and December 31, 2021, the fixed assets of of the rights to use the leased assets are presented as follows:

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

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	Assets representing rights of use under a lease - buildings
COST	
Balance on 01 January 2021	39,761
Inflows	3,560
Outflows	(97)
Balance on 31 December 2021	43,224
Balance on 01 January 2022	43,224
Inflows	-
Outflows	-
Balance on 31 December 2022	43,224
ACCUMULATED DEPRECIATION	
Balance on 01 January 2021	1,988
Depreciation expense	8,545
Accumulated depreciation of outflows	-
Balance on 31 December 2021	10,533
Balance on 01 January 2022	10,533
Depreciation expense	9,001
Accumulated depreciation of outflows	-
Balance on 31 December 2022	19,535
DEPRECIATION ADJUSTMENTS	
Balance on 01 January 2021	-
Expenditures with impairment adjustments	-
Balance on 31 December 2021	-
DEPRECIATION ADJUSTMENTS	
Balance on 01 January 2022	-
Expenditures with impairment adjustments	-
Balance on 31 December 2022	-
NET ACCOUNTING VALUE	
Balance on 31 December 2021	32,690
Balance on 31 December 2022	23,689

The fixed assets related to the rights to use the assets leased - buildings represent the right to use the premises leased by the Company in the Platinum office building (contract no. C232/2020 concluded with Dagesh Rom SRL), according to the provisions of IFRS 16 - Leasing contracts.

The contract is valid for a period of 5 years and has a value of 9 milion EUR (without VAT).

On December 31, 2022, the net value of the right to use the spaces rented by the Company in the Platinum office building is of 21,869 RON.

For this contract, the Company pays a monthly amount of 16.67 EUR/m2 (without VAT) for the rental of office space, with an area of approx. 9,000 sqm resulting in an annual value of 1.8 million EUR.

Smart SA has concluded lease contract by which it rented office building of 449.75 m2, the Formenerg Building of Blvd. Gheorghe Sincai 3, lease amounting to 53,970 Euro/year in quantum of 10 Euro/m2, representing 4,497.5 Euro/month. Teletrans SA has concluded lease contract by which it rented office building, associated ground and building yard of estimated 1080 m2 area rentable and 196 m2 yard in exclusive use situated in Street Stelea Spataru 12, representing 8,600 Euro/month.

On December 31, 2022 the net amount of the utilisation right for spaces the subsidiaries leased in such office buildings amounted to 1.820.

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

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Notes to the consolidated financial statements as at December 31, 2022

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

7. INTANGIBLE ASSETS

i) Intangible assets

La On December 31, 2022 and December 31, 2021, the balance of intangible assets (including the capitalization of the additional CPT) is presented as follows:

	Licenses and software	Capitalization of Grid Losses	Intangible assets in progress	Total
Cost				
Balance on 01 January 2021	64,927	-	5,805	70,992
Inflows	217	-	687	904
Transfers from intangible assets in progress	1,035	-	(1,035)	-
Transfers form tangible assets in progress	906	-	-	906
Outflows	(397)	-	-	(397)
Balance on 31 December 2021	66,687	-	5,457	72,404
Balance on 01 January 2022	66,687	-	5,457	72,144
Inflows	87	338,527	4,965	343,578
Transfers from intangible assets in progress	281	-	(281)	-
Transfers form tangible assets in progress	2,295	-	-	2,295
Outflows	(1,073)	-	(93)	(1,165)
Balance on 31 December 2022	68,277	338,527	10,048	416,852
ACCUMULATED DEPRECIATION				
Balance on 01 January 2021	63,000	-	72	62,979
Depreciation expense	2,065	-	1	2,066
Accumulated depreciation of outflows	(397)	-	-	(397)
Balance on 31 December 2021	64,668	-	72	64,647
Balance on 01 January 2022	64,668	-	72	64,740
Depreciation expense	1,347	13,987	2	15,336
Accumulated depreciation of outflows	(1,073)	-	(93)	(1,165)
Balance on 31 December 2022	64,942	13,987	(19)	78,911
DEPRECIATION ADJUSTMENTS				
Balance on 01 January 2021	2	-	349	704
Expenditures with impairment adjustments	-	-	(351)	(351)
Balance on 31 December 2021	2	-	(2)	353
DEPRECIATION ADJUSTMENTS				
Balance on 01 January 2022	2	-	(2)	-
Expenditures with impairment adjustments	-	-	-	-
Balance on 31 December 2022	2	-	(2)	-
NET ACCOUNTING VALUE				
Balance on 31 December 2021	2,017	-	5,387	7,404
Balance on 31 December 2022	3,333	324,539	10,069	337,941

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

a) Intangible assets in progress

For intangible assets under construction, the largest inflows in 2022 were represented by:

- Replacement of hardware components, updating and development of specific applications of the Balancing Market Platform - II DAMAS, Acquisition Component of services of migration and upgrade specific applications of the Balancing Market – 2,627;
- MARI platform development – 1,435;
- PICASSO platform development – 376;
- GE license - Software module for making capacity calculations based on energy flows – 247.

The balance of intangible assets under construction on December 31, 2022, in the amount of 10,069, is represented by ongoing projects, the most significant being listed below:

- Implementation of an Electronic Archiving and Document Management system within CNTEE Transelectrica SA – 5,474;
- Replacement of hardware components, updating and development of specific applications of the Balancing Market Platform - II DAMAS, Acquisition Component of services of migration and upgrade specific applications of the Balancing Market – 2,627;
- MARI platform development – 1,435;
- PICASSO platform development – 376;
- GE license - Software module for performing capacity calculations based on energy flows – 247.

In 2022, the largest transfers from ongoing intangible assets to intangible assets, amounting to 2,574,143, are mainly represented by:

- Consolidation of servers and data storage network (private cloud) - Virtual environment – 2,045;
- MENT - RET maintenance application and unitary database - BDU for structures, installations, components and systems - SISC managed by CNTEE Transelectrica SA – 194;
- BITDEFENDER Antivirus License Upgrade – 54.

b) Capitalization of Grid Losses

Starting with September 30, 2022, the Company applies the provisions of GEO no. 119/2022, whereby the additional costs of the purchase of electricity made between January 1, 2022 and August 31, 2023, in order to cover the own technological consumption and, respectively, the technological consumption, compared to the costs included in the regulated tariffs, are capitalized quarterly. Thus, the capitalized costs are amortized over a period of 5 years from the date of capitalization and are remunerated with 50% of the regulated rate of return approved by the National Energy Regulatory Authority, applicable during the amortization period of those costs and are recognized as a distinct component.

For the year 2022, the Company recorded revenues in the amount of 338,527 lei representing additional CPT calculated as the difference between the net cost with the purchase of CPT and the CPT cost included in the regulatory tariff.

We specify that this income is of a non-monetary nature, its collection will be realized by the Company in stages through the transport tariff in the next five years (2023-2027) in accordance with the relevant legislative provisions.

8. FINANCIAL ASSETS

The increase in the balance of financial assets on December 31, 2022 compared to December 31, 2021 is determined by:

- the re-classification of the amount of 4,254, represented mainly by guarantees for the temporary occupation of the land, calculated and withheld in accordance with art. 39 para. (1), para. (2) and para. (5) from Law no. 46/2008 regarding the Forestry Code, in order to achieve the investment objective LEA 400 kV Reșita – Pancevo (Serbia).

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- the increase by 3 thousand RON of the Company's shares held at the Romanian Stock Exchange.

The financial assets also include the net value of the shares held by the Company in the amount of 36,343 on December 31, 2022, as follows:

Shares held at FORMENERG	1,948
Shares held at ICEMENERG	-
Shares held at OPCOM	30,687
Shares held at ICEMENERG SERVICE	-
Shares held at BRM	26
Shares held at TSC NET	2,207
Shares held at Joint Allocation Office SA	1,232
Shares held at SELENE CC Societe Anonyme	242
Total shares held at affiliated and associated companies	36,343

9. INVENTORIES

On 31 December 2022 and 31 December 2021, stocks (at net value) are as follows:

	31 december 2022	31 december 2021
Spare parts	32,497	32,606
Consumables and other materials	14,465	10,843
Auxiliary materials	4,054	3,151
Other inventories	2,052	2,081
Total	53,068	48,681

At 31 December 2022 and 31 December 2021, the adjustments for inventory depreciation are as follows:

	31 december 2022	31 december 2021
Adjustments for impairment of consumables	8,931	10,364
Adjustments for impairment of other materials	5,968	5,889
Adjustments for impairment of packaging	220	223
Total	15,119	16,476

On December 31, 2022 and December 31, 2021, the evolution of the adjustments for the depreciation of inventories is presented as follows:

	31 december 2022	31 december 2021
Opening balance 1 january	16,476	14,860
Inventories impairment adjustments	1,579	2,521
Reversal of inventories impairment adjustments	(2,936)	(904)
Balance on the end of period	15,119	16,476

In 2022, the expenses incurred with the consumption of materials and spare parts are as follows:

	31 december 2022	31 december 2021
Expenditures on spare parts	29,922	24,166
Expenditures on consumables	3,923	2,812
Expenditures on other materials	2,951	1,693
Expenditures on auxiliary materials	236	172,292
Expenditures on fuel	3,340	2,474
Total	40,372	31,316

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

NPG TRANSELECTRICA SA**Notes to the consolidated financial statements as at December 31, 2022***(All amounts are in thousand LEI, unless stated otherwise)***10. TRADE AND OTHER RECEIVABLES**

At 31 December 2022 and 31 December 2021, trade receivables and other receivables are as follows:

	31 december 2022	31 december 2021
Trade receivables	2,397,945	2,185,797
Other receivables	170,993	197,741
Down payments to suppliers	697,081	701,362
Non-reimbursable funds receivable	-	-
VAT to recover	292,265	122,538
Adjustments for impairment of uncertain trade receivables	(138,513)	(150,558)
Adjustments for impairment of other uncertain receivables	(76,919)	(70,987)
Total	3,342,852	2,985,893

The structure of the trade receivables is as follows:

	31 december 2022	31 december 2021
Clients on the electricity market, of which:	2,392,071	2,182,908
- Clients - operational activities	1,696,470	1,408,379
- Clients - balancing market	564,107	566,727
- Clients - bonus type support scheme to promote high efficiency cogeneration	131,493	207,803
Clients from other activities	5,874	2,889
Total trade receivables	2,397,945	2,185,797

- CNTEE Transelectrica SA carries out its operational activity based on Operating License no. 161/2000 issued by ANRE, updated by ANRE President's Decision no. 687/04.05.2022, for the provision of the electric energy transmission service, for the provision of the system service and for the administration of the balancing market.

On December 31, 2022, the customers in the balance from the operational activity register an increase compared to December 31, 2021 mainly determined by the increase in transactions resulting from the energy market coupling mechanisms, in the IV quarter of 2022 compared to the IV quarter of 2021 .

The increase in the volume of transactions in the balancing market in the IV quarter of 2022, compared to the IV quarter of 2021, also determined the increase in the balance of clients from the contracts concluded for this type of activity.

The main customers in the total of the trade receivables are represented by: OPCOM, MAVIR, Electrica Furnizare SA, IBEX, Ciga Energy SA, Cinta Energy SA, Hidroelectrica SA, RAAN, Joint Allocation Office SA, Complexul Energetic Oltenia SA. Their share is 76.77% in total trade receivables.

- CNTEE Transelectrica SA carries out the activities related to the bonus support scheme for the promotion of high-efficiency cogeneration, as the administrator of the support scheme, 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 December 31, 2022, the Company records receivables from the bonus support scheme for the promotion of high-efficiency cogeneration in the proportion of about 5% (on December 31, 2021 – 9%) of the total trade receivables.

Customers from the bonus support scheme for the promotion of high-efficiency cogeneration register a decrease in receivables on December 31, 2022, mainly determined by the decrease in the invoiced value for the collection of the monthly contribution, closely related to the decrease in the value of the contribution for cogeneration, established by ANRE, for the period included in the fourth quarter of 2022, compared to the fourth quarter of 2021.

On December 31, 2022, the Company registers receivables in the amount of 131,493, represented by the invoices issued related to the bonus support scheme for the promotion of high-efficiency cogeneration, of

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which:

- over-compensation for the period 2011-2013 in the amount of 76,702, respectively from RAAN - 63,467 and CET Govora SA - 13,235;
- undue bonus for 2014 in the amount of 3,915, respectively from RAAN – 1,981, CET Govora – 1,934;
- undue bonus for 2015 in the amount of 564, respectively from CET Govora - 534, Interagro - 30;
- undue bonus for 2020 in the amount of 522 from Donau Chem;
- contribution for cogeneration not collected from suppliers of electric energy consumers, in the amount of 21,148, respectively from: Transenergo Com - 5,882, Petprod - 4,391, Romenergy Industry - 2,681, RAAN - 2,386, UGM Energy – 1,504, CET Govora – 901, KDF Energy – 888 and others.

Until the date of this financial report, the Company has collected the receivables related to the over-compensation of the activity regarding the support scheme for the year 2021 (amount of 22,894) from CET Govora (15,041), BEPCO (4,258) and Electrocentrale bucuresti (3,595), as well as the amount of 32,632 from the undue bonus established by ANRE Decisions for the year 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 settle the receivables generated by over-compensation and undue bonus, from previous years, the Company requested the qualified producers in the support scheme to make mutual compensations. For the producers (RAAN, CET Govora) who did not agree to this way of extinguishing mutual claims and debts, the Company applied and continues to apply the provisions of art. 17 para. 5 of the Order of the President of ANRE no. 116/2013 for the approval of the Regulation on establishing the method of collecting the contribution for high-efficiency cogeneration and paying the bonus for the electric energy produced in high-efficiency cogeneration: *"in the event that the producer has not fully paid to the administrator of the support scheme the obligations of payment resulted in accordance with the provisions of this regulation, the administrator of the support scheme pays the producer the difference between the value of the invoices issued by the producer and the payment obligations of the producer related to the support scheme, with the explicit mention, on the payment document, of the respective amounts"* and retained from payment the amounts related to the due support scheme.

- On the dockets of the Mehedinți Court - Second Civil Section, of Administrative and Fiscal Litigation, file no. 9089/101/2013/a140, having as object "claims for the amount of 86,513", file in which the Company is the plaintiff, the defendant being **Regia Autonomă pentru Activități Nucleare - RAAN**.

Through the sue petition filed by Transelectrica SA, it requested to oblige the defendant RAAN to pay the amount of 86,513.

On 19.05.2016, Mehedinți Court - Second Civil Section, Administrative and Fiscal Litigation issued a session decision, by which it ordered the following: "Based on art. 413 point 1 Civil Procedure Code. Orders the suspension of the case until the resolution of file no. 3014/2/2014 pending before the High Court of Cassation and Trial date term on 06.06.2019. We specify that file no. 3014/2/2014 pending before the High Court of Cassation and Justice has as its object the appeal - annulment of ANRE Decision no. 743/28.03.2014, and RAAN (plaintiff) and ANRE (defendant) as parties.

We also specify that, by the conclusion of 18.09.2013, issued by the Mehedinți Court, in file no. 9089/101/2013, the opening of the general insolvency procedure was ordered against the debtor Regia Autonomă pentru Activitati Nucleare R.A. (RAAN).

By sentence no. 387/20.03.2014, the Mehedinți Court confirmed the reorganization plan of the debtor Regia Autonomă pentru Activitati Nucleare, proposed by the judicial administrator Tudor&Asociații SPRL and voted by the General Meeting of Creditors according to the minutes of 28.02.2014.

Through the interim decision no. 10/28.01.2016, pronounced by the Mehedinți Court - Second Civil Section, Administrative and Fiscal Litigation, the syndic judge ordered the debtor's bankruptcy proceedings to begin, pursuant to art. 107 para. 1 lit. C of Lg. 85/2006, as well as the dissolution of the debtor and the removal of the debtor's right of administration.

By Decision no. 563/14.06.2016, the Court of Appeal Craiova – Second Civil Section rejected the appeals

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

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filed against the interim decision no. 10/28.01.2016, pronounced by the Mehedinți Court - Second Civil Section, Administrative and Fiscal Litigation.

With the filing of the debt statement, in the RAAN bankruptcy procedure, CNTEE Transelectrica SA can invoke the provisions of art. 52 of Law no. 85/2006, applicable to the RAAN bankruptcy procedure, provisions taken over from art. 90 of Law no. 85/2014, on the right of the creditor to invoke the compensation of its claim with that of the debtor against him, when the conditions stipulated by the law in the matter of legal compensation are met on the date of the opening of the procedure. Transelectrica SA was entered in the RAAN debtor's table with the amount of 11,265, in the category of claims resulting from the continuation of the debtor's activity. From the amount requested by the Company, 89,361, the amount of 78,096 was not entered in the preliminary table of receivables, on the grounds that "this does not appear as owed in the accounting records of RAAN". Moreover, the trustee in bankruptcy considered that the request to enter the amount of 78,096 in the table is formulated late, being related to the period 2011 - 2013, which is why the debt statement had to be formulated at the time of the opening of the insolvency procedure, respectively on 18.09.2013.

As a result of the partial registration of the total amount requested by Transelectrica in the amount of 89,361 and the address no. 4162/03.10.2016, by which the trustee in bankruptcy informs us that only the amount of 11,265 was entered in the additional table in the category of claims resulting from the continuation of the debtor's activity, and the amount of 78,096 was rejected, an appeal was submitted, within the legal term, to the Additional Claims Table.

At the trial date on 14.02.2019, the Mehedinți Court ordered the connection of file no. 9089/101/2013/a152 to file no. 9089/101/2013/a140 (having as object claims - payment request). The judgment of the file was postponed, as the court considered that it is useful for the settlement of the case to present the Civil Decision no. 2969/26.09.2018, pronounced by the High Court of Cassation and Justice in file no. 3014/2/2014, having as object annulment of ANRE President decision no. 743/2014.

The solution of the Mehedinți Court: "Admits the exception of forfeiture. Admits in part the main action as well as the related appeal. It obliges the defendant RAAN to pay to the plaintiff Transelectrica the amount of 16,950, a claim arising during the procedure, ordering its entry in the list of creditors set up against the debtor RAAN with this amount. Rejects the rest of the related requests. Pursuant to art. 453 para. 2 Civil Procedure Code. Obliges the defendant to pay the plaintiff 1 thousand lei as trial expenses. With appeal. Pronounced today 20.06.2019 in public session". Document: Decision 163/2019 20.06.2019.

Transelectrica filed an appeal within the legal term. The Craiova Court of Appeal set the first trial date on 30.10.2019. The appeal was dismissed as unfounded. Transelectrica filed a review request for contrary decisions, registered under file number 1711/54/2019, with a trial date on 26.03.2020 at the Craiova Court of Appeal and which was to send the file to the High Court of Cassation and Justice for competent settlement.

On 26.03.2020, the trial date was changed, the next being on 21.05.2020.

On 21.05.2020, the case was removed from the list with the following solution: the exception of material incompetence of the Craiova Court of Appeal was admitted and it was ordered that the case be forwarded to the ICCJ - Administrative and Fiscal Litigation Section. Decision 140/21.05.2020. Trial date 02/03/2021.

At the trial date on 02/03/2021, the ICCJ accepted the exception of the lateness of the review request and did not rule on its inadmissibility.

Also, between RAAN and Transelectrica, there are 4 other cases in different stages of trial.

In the bankruptcy file of RAAN registered under no. 9089/101/2013, the Mehedinți Court postponed at the trial dates on 08.10.2020 and 04.02.2021. The solution in short: a trial date was granted for the continuation of the liquidation procedures, the representation of the debtor's interests in the litigation pending before the courts, the consolidation of the statement of affairs, the continuation of measures for the recovery of debts, the continuation of public tenders with the objective of capitalizing the debtor's assets.

At the trial date on 14.10.2021, the case is postponed, the solution on short being: "grant a trial date for the continuation of the procedure, respectively for the capitalization of the assets and the fulfillment of the other liquidation operations."

At the trial date on 10.02.2022, the case is postponed, the solution in short being: "for the running of the procedure, respectively, the valorization of the assets, the collection of the receivables and the fulfillment of the other liquidation operations. the parties will be summoned through the BPI" and the next trial date is set for 02.06.2022.

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The procedure continued at the trial date on 09.02.2023, when the court granted a trial date on June 15, 2023 for the continuation of the procedure, respectively for the collection of claims, the capitalization of assets and the fulfillment of other liquidation operations.

- CNTEE Transelectrica SA concluded with CET Govora SA an agreement for compensation and staggered payment of the amounts representing claims from the value of the over-compensation for the period 2011-2013 and the undue bonus for the year 2014 (Agreement no. C135/30.06.2015 and Addendum no. 1/04/08/2015). The duration of the agreement was 1 year (the period July 2015-August 2016) and provided for the right of the Company to calculate and collect penalties during the period of the installment payment.

Based on the agreement, the Company's receivables from CET Govora SA were compensated with the debts to CET Govora SA, represented by the cogeneration bonus for the period May 2014 - October 2015 retained by applying the provisions of art. 17 paragraph 5 of the Order of the President of ANRE no. 116/2013 and the provisions of the Convention, in the amount of 40,508.

As a result of the suspension in court, by Civil Sentence no. 3185/27.11.2015, of ANRE Decision no. 738/28.03.2014 by which the amount of over-compensation was established for the period 2011-2013, CET Govora SA no longer observed the obligations assumed by the Convention.

Starting on May 9, 2016, the general insolvency procedure was opened for CET Govora. In order to recover the receivables that resulted before the opening of the insolvency procedure, the Company followed the specific procedures provided by Law no. 85/2014 - Insolvency Law and requested the court to admit the claims, according to the law. Considering the presented aspects, starting from May 9, 2016, the Company suspended the application of the provisions of art. 17.5 of the Order of the President of ANRE no. 116/2013 for the approval of the Regulation on establishing the method of collecting the contribution for high-efficiency cogeneration and paying the bonus for the electric energy produced in high-efficiency cogeneration and paid monthly to CET Govora the cogeneration bonus.

By Civil Decision no. 2430/05.10.2016, the High Court of Cassation and Justice admitted the appeal declared by ANRE against the Civil Sentence no. 3185/27.11.2015, annulled the appealed sentence in part and rejected the request for suspension made by CET Govora, the decision being final. Thus, starting from 05.10.2016, the effects of ANRE Decision no. 738/28.03.2014 are no longer suspended, producing full effects.

Under these conditions, the Company applies the provisions of art. 17 paragraph 5 of ANRE Order no. 116/2013 for mutual debts and claims arising after the insolvency procedure, in the sense of withholding the bonus owed to CET Govora SA up to the concurrent coverage of the sums related to the unpaid support scheme to the Company. Transelectrica was entered in the preliminary and final Table with a claim in the total amount of 28,200, of which the amount of 25,557 is related to the support scheme. We mention the fact that this claim in the amount of 21,962 representing the main debit and penalties related to invoice no. 8116/08.04.2016 is entered under the suspensive condition of the pronouncement of a final court decision in favor of ANRE in file no. 2428/2/2014 pending before the Bucharest Court of Appeal, with the object of canceling ANRE decision no. 738/28.03.2014.

At the trial date on 18.07.2018, Vâlcea Court issued the following solution:

- Confirms the reorganization plan of the debtor SC CET Govora SA, plan proposed by the official receiver EURO INSOL SPRL, submitted to the file on May 25, 2018 and published in the Report of Insolvency Procedures no. 11924 of June 13, 2018.
- Rejects the appeals filed by creditors Complexul Energetic Oltenia SA, SNTFM CFR Marfă SA, Solek Project Delta SRL, Solek Project Omega SRL, Clean Energy Alternativ SRL and Solar Electric Curtișoara SRL.
- Establishes the term for the continuation of the procedure on Oct. 8, 2018.

With the right of appeal within 7 days from the communication, made through the Report of Insolvency Procedures. Pronounced in public session, today, July 18, 2018. Document: Decision: 1196/18.07.2018.

By Decision no. 766/03.12.2018, the Pitesti Court of Appeal canceled the amount of 28,014 - representing the obligation entered by the Company in the List of Creditors (File no. 1396/90/2016).

Under these conditions, the Company included the amount of 22,188 related to the support scheme in the various debtors account, analytically distinct - ANRE, with an impact on the net position of the support scheme.

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The amount of 22,188 represents the receivable from CET Govora related to the support scheme (in the amount of 25,557), corrected with the bonus retained by the Company according to art. 17 para. 5 of the Order of the President of ANRE no. 116/2013, in the amount of 3,369.

On 25.03.2022, by Government Decision no. 409/2022, it was adopted the amendment and completion of Government Decision no. 1215/2009 regarding the establishment of the criteria and conditions necessary for the implementation of the support scheme for the promotion of high-efficiency cogeneration based on the demand for useful thermal energy. Thus, the period of application of the support scheme is extended until 2033, exclusively for producers who meet the conditions for accessing the extension of the support scheme.

At the same time, the financial closure of the support scheme is extended and will take place in the first semester of 2034.

Other receivables

On December 31, 2022, other receivables in the amount of **170,993** mainly include:

➤ various debtors (**105,853**), of which:

- late payment penalties calculated for non-paying customers, in the amount of 83,243 (of which the amount of 35,351 represents penalties related to the support scheme). The largest late payment penalties were registered by the clients: RAAN (16,901), Romelectro (13,424), CET Govora (9,607), Electrocentrale București (9,409), Eco Energy SRL (8,910), Petprod SRL (8,895), Total Electric Oltenia (3,289), Electromontaj (2,739), OPCOM (2,641), ICPE Electrocond (1,004). Depreciation adjustments were registered for the penalties calculated for the late payment of receivables from the operational activity;
- compensation owed by suppliers for non-delivery of electric energy: Next Energy Partners (8,395), Enol Grup (2,541) and Arelco Power (988). Depreciation adjustments were registered for the compensations owed by the suppliers from the operational activity;
- the claim to be recovered from OPCOM representing the VAT related to the in-kind contribution to the subsidiary's capital in the amount of 4,517, updated with delay penalties.

➤ expenses registered in advance in the amount of **9,853** represented mainly by: ENTSO-E contribution for 2023 (6,989), office building rent and maintenance (735), expenses related to the purchase of CPT (667), various services (288), insurance policies (254), OPCOM tariffs (105) and others;

➤ other social claims in the amount of **1,855** representing medical leaves paid by the employer to employees and to be recovered from the National Health Insurance Company, according to the legislation in force.

Down payments to suppliers

On December 31, 2022, advances paid to suppliers are represented by debtor suppliers for services in the amount of 697,081 and mainly represent amounts from transactions related to the coupling mechanism through price (ICP - Interim Coupling Project, SIDC - Single Intraday Coupling, SDAC - Single Day-ahead Coupling and FBMC – Flow Based Market Coupling) (593,614 – for ICP, FBMC and SDAC and 103,363 – for SIDC).

The application of the coupling mechanism through price began on November 19, 2014, the date on which the "4 Market Market Coupling (4MMC)" Project, which provides for the merger of the PZU (Day-Ahead Market) electric energy markets in Romania, Hungary, the Czech Republic and Slovakia, entered the operation phase. On June 17, 2021, the Interim Coupling project was launched, which represents the coupling of the day-ahead markets of the 4MMC countries with those of Poland, Austria and Germany.

As part of the day-ahead price coupling mechanism, the electric energy exchanges correlate, on the basis of tenders, electric energy transactions for the next day taking into account the interconnection capacity made available by the TSO through which its implicit allocation is made. CNTEE Transelectrica SA, as TSO, transfers electric energy, both physically and commercially, to the neighboring TSO (MAVIR-Hungary) and administers the revenues from congestion on the respective interconnection (art. 139 of ANRE Order no. 82/2014), and in relation to OPCOM SA has the status of Implicit Participant in the Next Day Market.

As Transfer Agent and Implicit Participant, CNTEE Transelectrica SA has the commercial task of settling the energy traded between OPCOM SA and MAVIR.

On November 19, 2019, the launch of the second wave of the single European intraday coupling solution (SIDC – Single Intraday Coupling) took place, with the first deliveries on November 20. Seven countries -

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Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Slovenia joined fourteen countries - Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Latvia, Lithuania, Norway, Netherlands, Portugal, Spain and Sweden, which has already been operating in a coupled regime since June 2018.

The unique intraday market coupling mechanism ensures the continuous harmonization of market participants' selling and buying bids in a bid area with selling and buying bids from within their own bid area and from any other bid area where cross-border capacity is available .

As a Transfer Agent, CNTEE Transelectrica SA has the commercial task of settling the energy traded between OPCOM SA, MAVIR and IBEX.

The date of October 28, 2021 represents the start of the new successful SDAC Single Day-ahead Coupling, the result of the cooperation between the Designated Operators of the Electric Energy Market (OPEED) and the Transmission and System Operators (OTS) from Bulgaria and Romania, respectively IBEX EAD, OPCOM SA, ESO EAD and CNTEE Transelectrica SA. The purpose of SDAC is to create a single cross-border pan-European energy market for the day ahead. An integrated day-ahead market increases overall trading efficiency by promoting effective competition, increasing liquidity and enabling more efficient use of production resources across Europe.

As a transfer agent for Romania's bidding area, CNTEE Transelectrica SA has the role of settling the energy traded between OPCOM SA and IBEX.

The launch of flow-based energy market coupling in the Core region, on June 8, 2022, represented the transition from the ICP – Interim Coupling Project coupling mechanism to FBMC – Flow Based Market Coupling, optimizing the European electric energy market for 13 countries : Austria, Belgium, Croatia, Czech Republic, France, Germany, Hungary, Luxembourg, Netherlands, Poland, Romania, Slovakia and Slovenia.

Within the FBMC project, Transelectrica has the role of both Shipper (Transfer Agent) and CCP – Central Counterparty. As a CCP, the Company has the task of transferring the financial flows generated by the electric energy flows, following the coupling process.

VAT to recover

VAT to be recovered (292,265) – amount related to the statements for the period September - December 2022 and October 2020. On January 13, 2023, was collected from the state the amount of 194,296, representing the value added tax requested for reimbursement related to September and October 2022.

Adjustments for impairment of trade receivables, uncertain trade receivables of other uncertain receivables

Group's policy is to register depreciation adjustments for loss of value in the amount of 100% for litigious, insolvent and bankrupt customers and 100% of trade receivables and other receivables not collected in a period of more than 180 days, except for outstanding receivables generated by the bonus support scheme.

The largest depreciation adjustments on December 31, 2022, calculated for trade receivables and related penalties, were recorded for CET Govora (25,077), Eco Energy SRL (24,736), Petprod SRL (23,540), Arelco Power (14,788), Total Electric Oltenia SA (14,186), Romenergy Industry (13,513), Romelectro SA (13,429), Elsaco Energy (9,276), RAAN (8,517), Next Energy Partners SRL (8,395).

In order to recover the receivables adjusted for depreciation, the Company took sue measures, registration in the statement of affairs, etc.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash balances, demand deposits and deposits with initial maturities of up to 90 days from the date of establishment that have an insignificant exposure to the risk of changes in fair value, being used by the Group for the management of short-term commitments .

At 31 December 2022 and 31 December 2021, cash and cash equivalents are as follows:

	<u>31 december 2022</u>	<u>31 december 2021</u>
Current bank accounts and deposits of which:	333,515	264,498
<i>a) current accounts at banks and deposits current activity</i>	<i>180,843</i>	<i>52,313</i>
<i>b) current accounts at banks and restricted deposits, of which</i>	<i>152,673</i>	<i>212,185</i>

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	<u>31 december 2022</u>	<u>31 december 2021</u>
- cash and deposits from high efficiency cogeneration	96,436	157,024
- cash of revenues from the allocation of interconnection capacities used for network investments	444	3,155
- cash from the connection fee	21,724	30,164
- European funds	25	287
- other restricted accounts (energy market guarantees and dividends)	34,043	21,555
Cash desk	166	157
Other cash equivalents	0	1
Total	<u>333,681</u>	<u>264,656</u>

12. OTHER FINANCIAL ASSETS

Other financial assets include bank deposits with an initial maturity higher than 90 days.

On December 31, 2022, there are no bank deposits with an initial maturity of more than 90 days.

13. SHAREHOLDERS' EQUITIES***Share capital***

In accordance with the provisions of the Emergency Governmental Ordinance no. 86/2014 regarding the establishment of reorganization measures at the level of the central public administration and for the amendment and completion of some normative acts, on February 20, 2015, the transfer of 43,020,309 shares from the account of the Romanian State from the administration of the General Secretariat was registered in the Company's Shareholder Register of the Government, on behalf of the Romanian State under the administration of the Ministry of Economy, Trade and Tourism.

Based on the provisions of art. 2 of Emergency Governmental Ordinance no. 55/19 November 2015 regarding the establishment of reorganization measures at the level of the central public administration and for the amendment of some normative acts, the Ministry of Economy, Trade and Relations with the Business Environment (MECRMA) was established, by reorganizing and taking over the activities of the Ministry of Economy, Trade and Tourism, which was abolished, and by taking over the activity and structures in the field of small and medium sized enterprises and the business environment from the Ministry of Energy, Small and Medium Sized Enterprises and the Business Environment.

According to the provisions of Governmental Decision no. 27/January 12, 2017 on the organization and operation of the Ministry of Economy, the Company operated under the authority of the Ministry of Economy until November 5, 2019.

Pursuant to the Government's Emergency Ordinance (OUG) no. 68/2019 for the establishment of some measures at the level of the central public administration and for the amendment and completion of some normative acts, published in the Official Gazette no. 898/06.11.2019, starting from November 6, 2019, the exercise of rights and the fulfillment of obligations arising from the state's capacity as a shareholder in Compania Națională de Transport al Energiei Electrice "Transelectrica" - S.A. is carried out by the General Secretariat of the Government.

On 14.11.2019, Depozitarul Central S.A. registered the transfer of a number of 43,020,309 shares (representing 58.69% of the share capital) issued by CNTEE Transelectrica SA, from the account of the Romanian State through the Ministry of Economy to the account of the Romanian State represented by the Government through the General Secretariat to the Government, as a result of enforcing the provisions of the Government's Emergency Ordinance no. 68/06.11.2019 regarding the establishment of measures at the level of the central public administration and for the amendment and completion of some normative acts.

On December 31, 2022, the shareholders of CNTEE Transelectrica SA are: the Romanian State represented by the General Secretariat of the Government which holds a number of 43,020,309 shares (58.69%), NN Group NV with a number of 4,007,688 shares (5.47 %), PAVAL HOLDING with a number of 4,753,567 shares (6.49%), other shareholders Legal Persons with a number of 16,006,932 shares (21.83%) and other shareholders Individuals with a number of 5,514,646 shares (7.52%).

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At the end of each reporting period, the fully subscribed and paid-up capital of the Company, amounting to 733,031 is divided into 73,303,142 ordinary shares with a nominal value of 10 RON/share and corresponds to the one registered at the Trade Registry Office.

The shareholding structure on December 31, 2022 and December 31, 2021 is as follows:

Shareholder	31 december 2022		31 december 2021	
	Number of shares	% of the share capital	Number of shares	% of the share capital
Romanian State by MECRMA	43,020,309	58,69%	43,020,309	58.69%
Other legal person shareholders	16,006,932	21,83%	16,172,331	22.05%
PAVAL HOLDING	4,753,567	6,49%	4,753,567	6.49%
Privately managed pension fund NN	4,007,688	5,47%	4,007,688	5.47%
Other natural person shareholders	5,514,646	7,52%	5,349,247	7.30%
Total	73,303,142	100,00%	73,303,142	100.00%

The company recognizes the changes in the share capital under the conditions provided by the legislation in force and only after their approval in the Extraordinary General Meeting of Shareholders and their registration at the Trade Registry Office.

On December 31, 2022 and December 31, 2021, the share capital is as follows:

	31 december 2022	31 december 2021
Share capital (nominal value)	733,031	733,031
Share capital balance	733,031	733,031

Shareholders are entitled to dividends and each share confers a right to vote at Company meetings.

During 2022, no dividends were granted by the Company from the net profit of 2021.

Share premium

All shares issued within the share capital increase that took place through the primary initial public bid in 2006 were subscribed and paid in full at the issue price. The issue premium in the amount of 49,843 respectively the difference between the issue price of the shares and their nominal value was recorded in the Company's reserve account.

Legal reserves

The legal reserves in the amount of: 146,606 as of December 31, 2022 and 137,927 as of December 31, 2021, represent legal reserves constituted according to the applicable legislation in force and cannot be distributed.

The company transfers to the legal reserve at least 5% of the annual accounting profit (Emergency Governmental Ordinance no. 64/2001, Law no. 227/2015 and Law no. 31/1991) until the cumulative balance reaches 20% of the paid-up share capital.

On December 31, 2022, the cumulative legal reserve balance reached one fifth of the paid-up share capital.

Revaluation reserves

The re-assessment reserves are in the amount of 734,233 on December 31, 2022 and in the amount of 801,800 on December 31, 2021. The last re-assessment of technical installations and means of transport was carried out on December 31, 2019 by SC JPA Audit & Consultanță SRL, independent evaluator authorized by the National Union of Certified Evaluators from Romania.

Other reserves

On 31 December 2022, other reserves amount to 39,351 compared to 31,186 on 31 December 2021. The increase in the balance of other reserves on 31 December 2022 compared to 31 December 2021 is mainly due to subsidies received for:

- 3,280 - Relocation of the high voltage LEA 220 kV Lotru-Sibiu Sud grid between poles no. 259 - 263 bis;
- 2,144 - Connection to the RET of the CCC 430 MW Iernut production site belonging to SNGN

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Romgaz SA - SPEE Iernut;

- 987 – Design and execution of Craiova - Pitesti Express Road Section 1- Connection to RET of metal pillars no. 26-26A in LEA 220 kV single circuit - Craiova Nord - Tr. Măgurele;
- 658 - Connection of the Isaccea 400 kV LEA - Varna and the Isaccea - Dobrudja 400 kV LEA in the Medgidia Sud 400 kV Station, Stage I - Extension of the Medgidia Sud 400 kV Station;
- 551 – LEA Regulation 400 kV Bradu – Braşov - opening of pole no. 393, 394 and 395;
- 546 – Relocation of LEA high voltage grid 220 kV Alba-Iulia-Gâlceag, Alba-Iulia-Şuşag, Sebeş-Turda Highway.

Retained earnings

The result carried over to December 31, 2022 amounts to 2.201.628.

On December 31, 2022, the Company records a positive carried forward result due, mainly, to the transfer of re-assessment reserves to the extent of depreciation of fixed assets in the carried forward result in the amount of 67,567.

On December 31, 2022, the actuarial loss recorded in the retained earnings amounts to 10,575. This amount resulted from the application of the provisions of IAS 19 – Employee benefits (Note 16).

Distribution of Transelectrica's net profit on December 31, 2022

From the net accounting profit achieved on December 31, 2022 in the amount of 514,573, the amount of 403,069 is allocated to "**Other reserves**", of which:

- the amount of 71,850, which represents the allocation to reserves of the amount of profit for which the profit tax exemption benefit was established, less the part related to the legal reserve, starting from July 1, 2014, according to the provisions of art. 22 of Law no. 227/2015 on the Fiscal Code, with subsequent amendments and additions;
- the amount of 331,219, which represents the distribution of net revenues from the allocation of interconnection capacities made in 2022. In accordance with Regulation (EU) no. 943/2019 and ANRE Order no. 171/2019, the revenues from the allocation of interconnection capacities are used to make investments in the electric energy transmission grid to maintain or increase interconnection capacities.

The proposal for the distribution on the legal destinations of the remaining accounting profit after deducting the profit tax on December 31, 2022, in the amount of 514,573, is as follows:

Nr. crt.	Destination	Amount
1	Accounting profit left after deducing the tax on profit on December 31, 2022	514,573
	<i>Distribution of accounting profit on the following destinations</i>	-
a	Legal reserve – until the cumulated balance reaches 20% from the paid up share capital	8,679
b	Other reserves representing fiscal facilities – payment exemption of the re-invested profit tax	71,850
c	Other distributions foreseen by law – incomes achieved in 2022 from the allocation of the interconnection capacity (tax on profit and legal reserve net)	331,219
2	Profit remained to be distributed (1-a-b-c)	102,825
d	Participation of the employees to profit	-
e	Dividends for shareholders	52,045
f	Other reserves set up as own financing sources	50,779
g	Not distributed profit	-
3	Total distributions (a+b+c+e+f)	514,573

The proposal for the distribution of the remaining accounting profit after the deduction of the profit tax on December 31, 2022 complies with the provisions of the legislation in force, respectively:

- Governmental Decision no. 64/2001 – regarding the distribution of profits to national companies, national companies and trading companies with full or majority state capital, as well as to autonomous governments,

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approved with amendments by Law no. 769/2001, with subsequent amendments and additions;

- OMFP no. 144/2005 – regarding the approval of the Specifications for determining the amounts that are subject to profit distribution according to the Governmental Decision no. 64/2001 on the distribution of profit to national companies, national companies and trading companies with full or majority state capital, as well as to autonomous governments, approved with amendments by Law no. 769/2001, with subsequent amendments and additions;

- OMFP no. 128/2005 regarding some accounting regulations applicable to economic agents;

- Law no. 227/2015 on the Fiscal Code, with subsequent amendments and additions;

- Regulation (EU) no. 943/2019 of the European Parliament and of the Council of June 5, 2019 on the internal electric energy market;

- ANRE order no. 171/2019, with subsequent amendments and additions regarding the approval of the Methodology for setting tariffs for the electric energy transmission service;

- The report for the approval of the order regarding the approval of the average tariff for the electric energy transmission service, the components of the transport tariff for introducing electric energy into the grid (Tg) and extracting electric energy from the grid (TI), of the tariff for the system service and of the price for reactive power, practiced by CNTEE Transelectrica SA, valid from January 1, 2022, sent by ANRE with address no. 148981/13.12.2021, completed with Report no. 76336/20.04.2022 regarding the calculation of electric energy transmission tariffs, with application from April 1, 2022;

- The budget of revenues and expenses approved by General Meeting of Shareholders Decision no. 1/25.02.2022 and rectified by AGOA Decision no. 8/29/09/2022.

Thus, the accounting profit for the year 2022 remaining after deducting the profit tax is distributed among the following destinations:

✓ *the legal reserve* in the amount of 8,679 - determined in the 5% rate applied to the accounting profit, until it reached the fifth part of the subscribed and paid-up capital, according to the provisions of art. 26 para. (1) lit. a) from Law no. 227/2015 on the Fiscal Code, with subsequent amendments and additions, and Law no. 31/1991 on trading companies;

✓ *other reserves* representing tax facilities provided by law in the amount of 71,850 - represented by the exemption from paying the tax on reinvested profit, in accordance with the provisions of art. 22 of Law no. 227/2015 on the Fiscal Code, with subsequent amendments and additions;

✓ *other distributions provided by law in the amount* of 331,219 - represented by the revenues achieved in 2022 from the allocation of the interconnection capacity (net amounts of the profit tax and the legal reserve), distributed according to the provisions of art. 1 lit. d) from the Governmental Decision no. 64/2001 on the distribution of profit to national companies, national companies and trading companies with full or majority state capital, as well as to autonomous governments, with subsequent amendments and additions, in conjunction with the provisions of Regulation (EU) no. 943/2019 and ANRE Order no. 171/2019 which provides for the use of revenues from the allocation of interconnection capacities to make investments in the grid to maintain or increase interconnection capacities.

✓ *dividends due to shareholders* in the amount of 52,045- to be distributed in accordance with the Decision of the General Meeting of Shareholders.

The value of the dividends represents 50,62% of the remaining accounting profit after deducting the profit tax and covering the destinations from points a), b) and c).

Regarding the determination of the value of the gross dividends due to the shareholders, the number of shares existing at the date of drawing up the financial statements of 2022, respectively 73,303,142 shares, will be taken into account, and the gross dividend per share will be determined considering two decimal places.

✓ *other reserves constituted as own sources of financing in the amount of 50,779 - represents the undistributed profit on the destinations presented in the table above, letters a), b), c) and e).*

14. DEFERRED REVENUES

Advance revenues are mainly represented by: the connection tariff, other subsidies for investments, non-refundable European funds received from the Ministry of European Funds, as well as revenues from the use of interconnection capacity.

The situation of income in advance on December 31, 2022 is presented as follows:

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	31 december 2022	Of which: current part at 31 december 2022	31 december 2021	Of which: current part at 31 december 2021
Deferred revenues – allocation of the interconnection capacity	16,227	16,227	7,649	7,649
Deferred revenues – European funds	1,477	1,477	2,076	2,076
Connection fee funds	256,399	14,762	260,881	14,814
European funds	181,972	2,884	178,667	6,138
Other subsidies	22,472	4,170	25,902	1,060
Total	478,547	39,520	475,175	31,738

Evolution of the incomes in advance on short term within the period January – december 2022 is as follows:

	31 december 2022	31 december 2021
Opening balance 1 january	31,738	29,393
Cash in advance related to interconnection capacity	115,266	38,428
Proceeds from European funds	680	1,092
Transfer of long-term deferred revenues (connection tariff)	(197)	(2,914)
Revenues from the use of interconnection capacities	(106,688)	(33,452)
Revenues from European funds	(1,279)	(809)
Balance on the end of period	39,520	31,738

Evolution of the long term advance incomes within the period January – December 2022 is as follows:

	31 december 2022	31 december 2021
Opening balance 1 january	443,437	352,029
Connection subsidies	3,145	3,662
Non-reimbursable funds	(9,586)	(93,133)
Non-refundable funds to be repaid	-	-
Transfer from short term deferred revenues	27,535	203,483
Subsidies wich resumed into revenues	(25,503)	(22,603)
Balance on the end of period	439,028	443,437

15. BORROWINGS

Long term loans

On December 31, 2022 and December 31, 2021, the balance of long-term loans contracted from credit institutions is as follows:

Description	31 december 2022	31 december 2021
BEI 25709 (i)	35,731	47,648
BEI 25710 (i)	43,713	55,666
Total non-current loans from credit institutions, of which:	79,444	103,314
Less: Current portion of non-current borrowings	(23,856)	(23,859)
Total non-current loans net of current instalments	55,588	79,455

Statement of the long-term loans on December 31, 2022:

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

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Notes to the consolidated financial statements as at December 31, 2022

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No.	Loan name	Granting date	Loan value (foreign currency)	Balance on December 31,2022 (foreign c)	Balance on December 31,2022 (RON)	Installment rate	Maturity according to the loan
1	BEI 25709	05.08.2010	32.500.000 EUR	7.222.222 EUR	35.731.223	3,596%	10.09.2025
2	BEI 25710	05.08.2010	32.500.000 EUR	8.835.470 EUR	43.712.604	3,856% și 2,847%	11.04.2028
TOTAL					79.443.827		

Long-term loans are detailed as follows:

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

Loans no. BEI 25709 and BEI 25710 were granted by the EIB on August 5, 2010 to finance the modernization and rehabilitation of the Electric Energy Transmission Grid in Romania. The value of each loan is EUR 32,500,000.

Loan no. 25709 is not guaranteed, while loan no. 25710 is guaranteed by BNP Paribas SA - Bucharest Branch. The repayment period is 15 years, with a grace period of 2 years. Repayment is made from 2012 until 2025 for EIB loan 25709 (on March 10 and September 10 of each year) and from 2013 until 2028 for EIB loan no. 25710 (on April 11 and October 11 of each year). The interest rate is 3.596% for the BEI loan 25709, and for the BEI loan 25710 it is 3.856% and 2.847%.

The amount due on 31 December 2022 for EIB loan 25709 is EUR 7,222,222 and for EIB loan 25710 is EUR 8,835,470.

EIB Loan Agreement 25709 contains certain financial clauses: (i) the ratio of EBITDA to interest on long-term loans paid during the year must be at least 4.2; (ii) the ratio of long-term liabilities to equity must not exceed 0.95; (iii) the ratio between total net debt and EBITDA to be a maximum of 3.5.

The BEI loan 25710 is guaranteed by BNP Paribas SA - Bucharest Branch. The guarantee contract was concluded on 20.12.2019 for a period of 3 years, guarantee fee of 0.40% per year, calculated at 115% of the remaining loan amount to be repaid. On 31.10.2022, amendment no. 2, amendment ensuring the guarantee of the BEI loan 25710 until 11.11.2028 was signed. For this period, the guarantee fee is 0.6% per year, calculated at 115% of the amount of the loan remaining to be repaid.

On December 31, 2022, the financial indicators related to the credit agreements were met.

The long-term part of the loans will be repaid as follows:

	31 december 2022	31 december 2021
From 1 to 2 years	23,856	23,859
From 2 to 5 years	31,256	54,168
More than 5 years	476	1,427
Total	55,588	79,455

The Group did not perform covering activities against the risks related to its obligations in foreign currency or the exposure to the risks related to the interest rate.

All long-term loans outstanding at 12/31/2022 bear fixed interest.

Current loans

Short term loans are detailed as follows:

	31 december 2022	31 december 2021
Current portion of non-current borrowings	23,856	23,859
Short-term bank loans	67,618	-
Smart credit lines	5,701	2,707
Interest related to the non-current and current loans	775	1,013
Total current borrowings	97,950	27,579

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

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Loans contracted for current activity

On 30.03.2022, Transelectrica concluded credit agreement no. C624 with the Romanian Commercial Bank for a period of 12 months for the financing of the bonus support scheme for high-efficiency cogeneration, in the form of an overdraft, in the amount of 175 million RON, with an interest calculated according to the ROBOR reference rate 1M, plus 0% margin and 0.088% commission.

The credit line is guaranteed by:

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

As of December 31, 2022, the credit line is unused.

On 10.03.2022, Transelectrica concluded credit agreement no. C588 with Banca Transilvania for a period of 12 months for the financing of the Company's working capital, in the amount of 200 million RON with an interest calculated according to the reference rate ROBOR 1M, to which a margin of 0.05% is added.

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

- 175 million RON – revolving credit line used to cover the temporary working capital needs for the timely payment of the Company's due obligations, with a usage period of 12 months, until 09.03.2023;
- 25 million RON in the form of a threshold for issuing bank guarantee letters, with a 12-month letter-issuing period and a 24-month letter validity.

The credit line is guaranteed by:

- chattel mortgage on the bank account opened at the bank;
- chattel mortgage on the receivables resulting from the contract regarding the provision of the electric energy transmission service and the system service concluded with Electrica Furnizare SA, Enel Energie SA.

On 09.05.2022, Transelectrica concluded the Addendum no. 1 to credit agreement no. C588 concluded with Banca Transilvania, with the purpose of extending the validity of the use of the credit line to 24 months. And on 16.06.2022, the Addendum no. 2 with the object of increasing the threshold for issuing bank guarantee letters from 25 million RON to 40 million RON was concluded.

Until December 31, 2022, withdrawals were made from the credit line in the amount of 67,618.

In November 2021, SMART SA contracted a new revolving credit line facility from Banca Românească in the amount of 12,000 lei to finance current activity and refinance the credit line held at Libra Internet Bank, for a period of 12 months with maturity on November 23, 2022.

On November 22, 2022, the Subsidiary increased the ceiling of the credit line by 3,000 lei to the total value of 15,000 lei and extended its duration by 12 months, the next maturity being on 22.11.2023

16. OBLIGATIONS REGARDING EMPLOYEES' BENEFITS

By Decision no. 3807 of June 27, 2022 of the High Court of Cassation and Justice - Administrative and Fiscal Litigation Section, Government Decision no. 1041/2003 on some measures to regulate the facilities granted to pensioners in the electric energy sector, respectively Decision no. 1461/2003, amending the Governmental decision no. 1041/2003, starting from 12.10.2022.

For this purpose, the Company no longer grants benefits to former employees, after retirement, regarding the settlement of invoices for the electric energy consumed starting from 12.10.2022.

According to the collective labor agreement, applicable in the year 2022, the Company provides long-term benefits both to employees, depending on length of service and seniority within the Company, and to former employees, after retirement, for the settlement of bills for the electric energy consumed until 12.10.2022. The benefits granted to employees with management positions are presented in Note 31 - Remuneration of the Company's management.

The long-term benefits granted by the Company include as follows:

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- retirement bonuses that vary from 1 to 5 monthly gross basic salaries depending on the number of years of service in the Company at the date of retirement;
- jubilee bonuses between 1 and 5 monthly gross basic salaries depending on the number of years of service within the Company;
- free electric energy granted after retirement of 1,200 kWh/year, until 12.10.2022.

Actuarial calculations regarding post-employment benefits and other long-term benefits were determined by an authorized actuary, based on the service contract concluded with SC VIREO SRL.

The obligations regarding the benefits of the employees are as follows:

	<u>31 december 2022</u>	<u>31 december 2021</u>
Jubilee premiums	46,370	32,246
Retirement premiums	32,424	18,127
Free electricity for current and retired employees	8,087	24,801
Contractual termination benefits	-	-
Maternity premiums	-	99
Total	<u>86,881</u>	<u>75,272</u>

As of December 31, 2022 and December 31, 2021, the Group has a long-term employee benefit obligation of 86,881 and 75,272 respectively.

NPG TRANSELECTRICA SA**Notes to the consolidated financial statements as at December 31, 2022***(All amounts are in thousand LEI, unless stated otherwise)***OBLIGATIONS REGARDING EMPLOYEES' BENEFITS**

	31 December 2021	Cost of interest	Cost of current service	Payments from provisions	Actuarial loss of the period	31 December 2022
Benefits pertaining to jubilees premiums to be granted to current employees	32,246	1,291	2,078	(3,280)	14,035	46,370
Benefits pertaining to maternity premiums to be granted to current employees	99	-	-	-	(99)	-
Benefits pertaining to retiree premiums of current employees	18,127	726	1,648	(1,451)	13,375	32,424
Benefits pertaining to premiums granted for the labor agreement termination	-	-	-	-	-	-
Benefits pertaining to the counter value of electricity to be paid to current employees after retirement	7,864	91	78	-	(6,155)	1,878
Benefits pertaining to the counter value of electricity paid to current retirees	16,937	278	-	(425)	(10,582)	6,208
Total	75,272	2,386	3,803	(5,156)	10,575	86,881

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

NPG TRANSELECTRICA SA**Notes to the consolidated financial statements as at December 31, 2022***(All amounts are in thousand LEI, unless stated otherwise)***17. a. TRADE AND OTHER LIABILITIES**

On 31 December 2022 and 31 December 2021, commercial debts and other debts are as follows:

	31 december 2022	31 december 2021
Providers - electricity market	1,956,548	1,893,042
Asset providers	134,881	140,688
Providers of other activities	34,554	27,688
Amounts due to employees	11,220	10,610
Other liabilities	1,214,971	935,109
Total	3,352,175	3,007,137

On December 31, 2022 and December 31, 2021, the outstanding debts on the energy market are in the amount of 1,956,548 and 1,893,042 respectively, in the following structure:

	31 december 2022	31 december 2021
Providers - electricity market, of wich:		
-providers - operational activity	1,336,903	1,125,211
-providers - balancing market	583,098	549,941
-providers- bonus type support scheme to promote high efficiency cogeneration	36,547	217,890
Total	1,956,548	1,893,042

The suppliers on the electric energy market are mainly represented by: IBEX, MAVIR, Hidroelectrica SA, OPCOM, Joint Allocation Office, S Complexul energetic Oltenia SA, Electrocentrale București SA, ELEKTROENERGIEN SISTEMEN OPERATOR EAD, CIGA Energy SA, Electrica Furnizare SA. On December 31, 2022, their share in total energy suppliers is 91.73%.

The increase in the balance of "debts related to operational activity" was mainly determined by the increase in the fourth quarter of 2022 of the volume of transactions resulting from the coupling of the electric energy markets.

The increase in the balance of "debts related to the balancing market" was determined by the increase in the volume of transactions registered on the balancing market in the fourth quarter of 2022, compared to the fourth quarter of 2021.

The decrease in "debts related to the support scheme" to suppliers (producers) was determined by the decrease in the value of the monthly bonus for high-efficiency cogeneration from December 2022, compared to December 2021.

On December 31, 2022, payment obligations to suppliers (producers) are recorded in the amount of 35,549 (RAAN – 32,180 and CET Govora SA – 3,369), representing the monthly cogeneration bonus, previous over-compensation for the years 2014 and 2015, the bonus not granted for the year 2015. The amounts representing the Company's debts related to the support scheme towards RAAN and CET Govora were withheld for payment based on art. 17 para. 5 of the Order of the President of ANRE no. 116/2013, as the suppliers (producers) register payment obligations towards the Company on the bonus support scheme.

The company requested from the suppliers (producers) who have not paid the over-compensation invoices, the agreement to carry out the compensation of their mutual debts at their minimum level through the Training Center for Personnel from the Industry Busteni - Bucharest Branch which manages all the information received from taxpayers, based on the provisions of the Governmental Decision no. 773/2019.

The producers (RAAN, CET Govora) did not agree with this way of extinguishing mutual claims and debts, which is why the Company applied and continues to apply the provisions of art. 17 para. 5 of the Order of the President of ANRE no. 116/2013 for the approval of the Regulation on establishing the method of collecting the contribution for high-efficiency cogeneration and paying the bonus for the electric energy produced in high-efficiency cogeneration: "if the producer has not fully paid the support scheme to the administrator the obligations of payment resulted in accordance with the provisions of this regulation, the administrator of the support scheme pays the producer the difference between the value of the

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invoices issued by the producer and the payment obligations of the producer related to the support scheme, with the explicit mention, on the payment document, of the respective amounts" and retained from the payment the amounts related to the due support scheme.

CNTEE Transelectrica SA concluded with CET Govora SA an agreement for compensation and staggered payment of the amounts representing claims from the value of the over-compensation for 2011-2013 and the undue bonus for the year 2014 (Agreement no. C 135/30.06.2015 and Addendum no. 1/04/08/2015). The duration of the Agreement was of 1 year (the period July 2015-August 2016) and provided for the right of the Company to calculate and collect penalties during the period of the installment payment.

Based on the Agreement, the Company's receivables from CET Govora SA were compensated with the debts to CET Govora SA, represented by the cogeneration bonus for the period May 2014 - October 2015 retained by applying the provisions of art. 17 paragraph 5 of the Order of the President of ANRE no. 116/2013 and the provisions of the Convention, in the amount of 40,508.

Following the suspension in court, by Civil Sentence no. 3185/27.11.2015, of ANRE Decision no. 738/28.03.2014 by which the amount of over-compensation was established for the period 2011-2013, CET Govora SA no longer observed the obligations assumed by the Convention. Starting with May 9, 2016, the general insolvency procedure was opened for CET Govora. Considering the provisions of Law no. 85/2014 - Insolvency Law, the Company suspended, starting on May 9, 2016, the application of the provisions of art. 17.5 of the Order of the President of ANRE no. 116/2013 for the approval of the Regulation on establishing the method of collecting the contribution for high-efficiency cogeneration and payment of the bonus for the electricity produced in high-efficiency cogeneration and pays monthly to CET Govora the cogeneration bonus due to it. By Civil Decision no. 2430/05.10.2016, the High Court of Cassation and Justice admitted the appeal declared by ANRE against Civil Sentence no. 3185/27.11.2015, annulled the contested sentence in part and rejected the request for suspension made by CET Govora. Thus, starting from 05.10.2016, the effects of ANRE Decision no. 738/28.03.2014 are no longer suspended, producing full effects.

Under these conditions, the Company applies the provisions of art. 17 paragraph 5 of ANRE Order no. 116/ 2013 for mutual debts and claims arising after the insolvency procedure, in the sense of withholding the bonus owed to CET Govora SA until the amounts related to the unpaid support scheme to the Company are met.

The decrease in the balance of "**asset providers**" on December 31, 2022 compared to December 31, 2021 was due to the making of payments that have reached maturity.

Debts to "**providers of other activities**" are mainly represented by debts related to services provided by third parties, not yet due, debts that have increased compared to December 31, 2021.

As of December 31, 2022, the Company has no outstanding debts to suppliers (state budget, local budget or other public institutions).

The structure of debts recorded in "**other liabilities**" is as follows:

	<u>31 december 2022</u>	<u>31 december 2021</u>
Various creditors	389,853	145,712
Client-creditors	770,851	751,982
Dividends to pay	148	234
Other liabilities	54,119	37,180
Total	<u>1,214,971</u>	<u>935,109</u>

„**Various creditors**”, amounting to **389,853** on December 31, 2022, mainly represent:

- ✓ the net position of the support scheme regarding high-efficiency cogeneration, debt position, in the amount of 380,229.

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

- the amount of the contribution to be collected from the suppliers of the electric energy consumers, the amount of over-compensation for the production of electric energy and thermal energy in high-efficiency cogeneration, the undue bonus to be collected from producers, according to ANRE decisions, on the one hand, and

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- the amount of the cogeneration bonus, the previous over-compensation and the bonus not granted to be paid to the high-efficiency cogeneration energy producers, beneficiaries of the support scheme, on the other hand

✓ 6,382 solution study contracts for connecting to the RET,

✓ 1,436 royalties quarter IV 2022 and others.

"Client-creditors", as of December 31, 2022, amount to **770,851**, of which 770,033 represent amounts received in advance from OPCOM (532,398), MAVIR (212,448), IBEX (24,540) and JAO (646) in transactions related to price coupling mechanisms, ICP (Interim Coupling Project), SIDC (Single Intraday Coupling), SDAC (Single Day-ahead Coupling) and FBMC (Flow Based Market Coupling).

On December 31, 2022, the **dividends due** to the Company's shareholders and unpaid amount to **148**. These amounts are available to shareholders through the paying agent.

"Other liabilities" in the amount of **54.119** are mainly represented by guarantees of payment of contracts on the electric energy market concluded by CNTEE Transelectrica SA in the amount of 34,928, VAT not due in the reporting period in the amount of 16,860 and others.

17.b LIABILITIES - BUILDING LEASING

On December 31, 2022, "Other loans and assimilated debts - building lease liabilities", according to the provisions of IFRS 16 - Leasing contracts, is as follows:

	<u>31 december 2022</u>	<u>31 december 2021</u>
Liabilities - Building leasing, short term	9,141	8,966
Liabilities - Building leasing, long term	15,949	24,656
Total	<u>25,090</u>	<u>33,622</u>

18. PROVISIONS

On December 31, 2022 and December 31, 2021, the provisions are as follows:

	<u>31 december 2022</u>	<u>31 december 2021</u>
Provisions for litigations	26,060	32,379
Provisions for mandate contracts	43,339	20,478
Other provisions	2,158	805
Total	<u>71,557</u>	<u>53,662</u>

Provisions for litigations on 31.12.2022, in the amount of 26.060, are mainly represented by the provisions set up for the following litigations:

- *File 36755/3/2018 – plaintiff Conaid Company SRL (17.216)*
- *File 15561/3/2022 – plaintiff SMART SA (4.467) – more details regarding this file are presented in Note 29 – Commitments and contingencies.*
- *File no. 3083/3/2020 - plaintiff NUCLEARELECTRICA SA (1.473).*

On 26.06.2020, Nuclearelectrica sued the Company for payment of the amount of 1,291 representing negative imbalance and 182, legal interest.

After several trial dates in which the case was postponed (26.06.2020, 16.10.2020, 11.12.2020), for various reasons, at the trial date on 22.12.2020, the Court ordered the Company to pay the plaintiff the amount of 1,291, as damages and compensatory interest, to pay update of this amount with the inflation rate from 27.09.2018 and until the effective payment date, to pay the amount of 182 representing legal penalty interest calculated from 27.09.2018 and until 31.01.2020, as well as the further payment of the legal penal interest, calculated from 01.02.2020 and until the effective payment date. It also obliged the defendant to pay the plaintiff the amount of 23, as trial expenses, consisting of judicial stamp duty. Rejected the defendant's request for the payment of trial expenses, as unfounded. With right of appeal within 30 days of communication. (Decision 2698/22.12.2020).

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CNTEE Transelectrica SA appealed. In the meeting on 25.11.2021, the Court of Appeal of Bucharest admits the appeal. Partially changes the appealed civil sentence, in the sense that: Rejects the sue petition as unfounded. Maintains the disposition of the first court rejecting as unfounded the defendant's request regarding the payment of trial expenses. It obliges the respondent-plaintiff to pay to the appellant-defendant the amount of 21 as trial expenses in the appeal. With appeal within 30 days from the communication, the appeal request to be submitted to the Bucharest Court of Appeal - 6th Civil Section.

Nuclearelectrica declared an appeal, which is in the filter procedure.

"Provisions for mandate contracts" in the amount of 43.339, on December 31, 2022, represent:

- the remuneration of executive and non-executive administrators (the variable component related to the OAVT packages allocated and not capitalized during the mandates executed in the period 2013-2017);
- the remuneration representing the variable component, the non-competition compensation and the one related to the fixed gross monthly allowances remaining until the end of the mandate for the revoked members of the Supervisory Board/Directorate, respectively until the year 2024.

"Other provisions", in the amount of 2.158, represent unused holidays.

19. INCOME TAX

The tax on profit for the years 2022 and 2021 is as follows:

	31 december 2022	31 december 2021
Expenses with current income tax	(95,256)	(21,144)
Net income from deferred income tax	21,266	20,188
Total	(73,990)	(956)

The Group's current and deferred income tax for 2022 and 2021 is determined at a statutory rate of 16%, effective in 2022 and 2021.

Reconciliation of the effective tax rate of the current income tax:

	31 december 2022	31 december 2021
Income tax at statutory rate of 16%	97.262	572
Effect of non-deductible expenses	26,491	18,098
Effect of non-taxable revenues	(11,006)	(14,310)
Taxable revaluation reserve	12,068	16,396
Legal reserve	(1,389)	(15)
Exempted income tax	(1,936)	(1,046)
Other effects	(36,700)	(16,571)
Total	(84,791)	(3,123)

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DEFERRED INCOME TAX

The movement table regarding the debt with deferred income tax in 2022 and 2021 is as follows:

Elements	Balance on 1 January 2021	Recognised in profit and loss	Directly recognised in AERG	Balance on 31 December 2021	Recognised in profit and loss	Directly recognised in AERG	Balance on 31 December 2022
Property, plant and equipment – useful life	25,914	10,392	-	36,306	5,170	-	41,475
Property, plant and equipment – revaluation reserves	129,912	(20,397)	-	109,515	(12,561)	-	96,953
Property, plant and equipment financed by subsidies	(3,929)	(1,141)	-	(5,070)	(789)	-	(5,859)
Obligations regarding employee benefits	(13,996)	1,952	-	(12,044)	(1,911)	-	(13,955)
Employees participation to profit	(627)	627	-	(0)	-	-	(0)
Interconnection estimate	(288)	(136)	-	(424)	(1,336)	-	(1,760)
Provisions	(8,071)	3,031	-	(5,040)	648	-	(4,392)
Mandate contracts	(89)	89	-	0	-	-	0
Inventory adjustments	(1,974)	(327)	-	(2,301)	(78)	-	(2,379)
Other elements	-	(14)	-	(14)	1	-	(13)
Tax (assets)/liabilities	126,852	(5,925)	-	120,927	(10,857)	-	110,070

	Asset		Liabilities		Net	
	31 december 2022	31 december 2021	31 december 2022	31 december 2021	31 december 2022	31 december 2021
Property, plant and equipment – useful life	(3,320)	(2,970)	44,795	39,276	41,475	36,305
Property, plant and equipment – revaluation reserves	(12,561)	(20,397)	109,515	129,912	96,953	109,515
Property, plant and equipment financed by subsidies	(969)	(1,188)	(4,890)	(3,882)	(5,859)	(5,070)
Obligations regarding employee benefits	(13,955)	(12,044)	-	-	(13,955)	(12,044)
Employees participation to profit	(0)	-	-	-	(0)	(0)
Interconnection estimate	(1,760)	(424)	-	-	(1,760)	(424)
Provisions	(4,392)	(5,040)	-	-	(4,392)	(5,040)
Mandate contracts	-	-	-	-	-	-
Inventory adjustments	(2,379)	(2,301)	-	-	(2,379)	(2,301)
Other elements	(13)	(14)	-	-	(13)	(14)
Tax (assets)/liabilities	(39,349)	(44,379)	149,419	165,306	110,070	120,927

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

NPG TRANSELECTRICA SA**Notes to the consolidated financial statements as at December 31, 2022***(All amounts are in thousand LEI, unless stated otherwise)***20. RESULT PER SHARE**

On december 31, 2022 and December 31, 2021, the result per share is:

	<u>31 december 2022</u>	<u>31 december 2021</u>
Result of the financial exercise	521,633	1,304
Number of ordinary shares at the beginning and at the end of the period	73,303,142	73,303,142
Basic and diluted lost/earnings per share (RON/share)	7.12	0.02

21. OTHER TAX AND SOCIAL SECURITY LIABILITIES

On december 31, 2022 and December 31, 2021, other taxes and obligations for social securities include:

	<u>31 december 2022</u>	<u>31 december 2021</u>
Contribution to the social security funds	12,849	13,430
Payable VAT	1,105	3,244
Salary tax	2,355	2,424
Other tax payable	1,069	1,431
Total	17,377	20,527

On December 31, 2022, the Company registers payment obligations for contributions to social insurance funds, payroll tax and other taxes, obligations that were paid in January 2023.

22. OPERATIONAL REVENUES

Operating revenues include revenues from the Company's provision, on the electric energy market, of transmission and system services, allocation of interconnection capacity, balancing market operation services and other revenues.

The tariffs approved by ANRE for the services provided on the electric energy market are as follows:

	<u>Average tariff for transmission services</u>	<u>Average tariff of technological system services</u>
Order No. 33/23.03.2022 for the period April 01 – December 31, 2022	28.10	9.32
Order No. 124/25.11.2021 for the period January 01 – March 31, 2022	23.96	9.32
Order No. 10/24.02.2021 for the period March 01 – December 31, 2021	20.55	10.82
Order No. 214/09.12.2020 for the period January 01 – February 28, 2021	20.55	11.96

The average electric energy transmission tariff has two components: the tariff for introducing electric energy into the grid (TG) and the tariff for extracting electric energy from the grid (TL).

The amount of electric energy delivered to consumers to whom the tariffs for the services provided on the electric energy market were applied is as follows:

	<u>2022</u>	<u>2021</u>
Quantity of electric energy delivered to consumers (MWh)	52,175,075	56,353,023

The operating incomes for 2022 and 2021 are as follows:

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

NPG TRANSELECTRICA SA**Notes to the consolidated financial statements as at December 31, 2022***(All amounts are in thousand LEI, unless stated otherwise)*

	31 december 2022	31 december 2021
Transmission revenues	1,401,103	1,151,786
Revenues from the allocation of interconnection capacities	399,206	64,727
Revenues from reactive energy	891	662
Inter TSO Compensation (ITC) revenues	4,062	3,276
Revenues from transactions with own technological consumption	79,648	31,834
Total revenues from electricity transmission	1,884,909	1,252,286
Revenues from technological system services	488,187	622,888
Revenues from unplanned exchanges on DAM	147	832
Emergency energy assistance to neighboring	45,281	-
Total revenues from system services	533,616	623,720
Revenues on the balancing market	3,478,995	1,822,564
Income from other benefits and other operating income	71,336	-
Grid losses anticipatory tariff income	338,527	-
Other revenues	409,863	85,432
Total revenues	6,307,383	3,784,002

Transmission revenues

Revenues from the transmission service registered an increase in 2022 compared to 2021 with the amount of 249,316, determined by the increase in the average tariff for the transmission service approved by ANRE (according to the table on the tariffs approved by ANRE for the analyzed period, previously presented), under the conditions of the decrease in the amount of electric energy delivered to consumers by 7.41%, respectively by 4,177,948 MWh.

The decrease in the amount of electric energy delivered to consumers was influenced on the one hand by the increase in the prices of primary fuels, a phenomenon that was reflected in the final price of electric energy, and on the other hand by the average monthly temperatures, which systematically registered positive anomalies, being in general above the climatological norms.

Revenues from the allocation of interconnection capacities

Revenues from the allocation of interconnection capacity registered an increase in 2022 compared to 2021, in the amount of 334,479, corresponding to the level of use of interconnection capacity availability by traders on the electric energy market.

The interconnection capacity allocation market is fluctuating, with prices evolving depending on the demand and the need of the electric energy market participants to purchase interconnection capacity. The increase in the analyzed period is due both to the unit price of electric energy which has increased throughout the European Union, causing a large price difference between the coupled markets, as well as to the deficit of electric energy registered at the European level. Implied allocations, in which capacity and energy are provided simultaneously, are strongly influenced by variations in the price of electric energy on the stock exchanges in Europe.

The interconnection capacity allocation mechanism consists in the organization of annual, monthly, daily and intraday tenders. The annual, monthly and intraday ones (only on the border with Serbia) are explicit - only transmission capacity is tendered, and the daily (borders with Hungary, Bulgaria) and intraday (borders with Hungary and Bulgaria) are implicit - they are allocated simultaneously with the energy and capacity, through the coupling mechanism.

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

The establishment, starting on November 19, 2014, of the regional energy exchange by Romania, Hungary, the Czech Republic and Slovakia, means that these four countries will end up having a single price for electric energy traded on the spot markets. Capacity allocation between Romania and Hungary, the only country out of the 3 with which Romania has a border, is made by transporters: Transelectrica and MAVIR, through a joint mechanism, based on a bilateral agreement. On June 17, 2021, the Day-Ahead Market in Romania switched to functioning in a coupled mechanism at the European level, with the implementation of the DE-AT-PL-4M MC project, also known as Interim Coupling, the Romania-Hungary border being integrated in the single day-ahead market coupling (SDAC). On June 8, 2022, the launch of the Core FB MC (Core Flow-Based Market Coupling) project took place, thus initiating the day-ahead market coupling based on flows in the Core capacity calculation region. The flow-based market coupling mechanism optimizes the European electric energy market for 13 countries (Austria, Belgium, Croatia, Czech Republic, France, Germany, Hungary, Luxembourg, Netherlands, Poland, Romania, Slovakia and Slovenia).

Starting with October 27, 2021, the Romania-Bulgaria border has been integrated into the single day-ahead market coupling (SDAC), with the cross-border capacity between Romania and Bulgaria being implicitly allocated.

Starting with November 2019, the 2nd wave was launched within the single European intraday coupling solution (SIDC – Single Intraday Coupling). The unique intraday market coupling mechanism ensures that the selling and buyin bids of market participants in a bid area are continuously matched with bids from within their own bid area and from any other bid area where cross-border capacity is available. Thus, within SIDC, the intraday capacity allocation tenders on the borders with Bulgaria and Hungary are implicit.

Starting from 2016, the UIOSI – Use It Or Sell It principle was implemented on the borders with Bulgaria and Hungary, and starting from 2017 also on the border with Serbia. According to this principle, participants who do not use the capacity won in the annual and monthly tenders are remunerated (by Transelectrica) for that capacity. Unused capacity is subsequently sold in daily tenders.

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) 943/2019 of June 5, 2019 on the internal electric energy market, as a source of investment financing for the modernization and development of interconnection capacity with neighboring systems.

The extension of the coupling of the markets has the effect of standardizing the price of energy in Europe, which is also one of the main objectives of Regulation (EU) 1222/2015 "establishing some guidelines on capacity allocation and congestion management".

Inter TSO Compensation (ITC) revenues

These revenues were higher in the year 2022 compared to the year 2021 with the amount of 786, considering the revenues resulting from the distribution of energy flows at the European level and from the variation of the scheduled exchanges of electric energy with Ukraine. Starting with 01.09.2022, the tariff for exchanges with peripheral countries changed from 0.6 EUR/MWh to 1.2 EUR/MWh, which led to an increase in revenues recorded in the last months of the year.

Revenues from transactions with own technological consumption

Revenues from energy trading for CPT were higher in 2022 compared to 2021 with the amount of 47,813. These revenues were mainly obtained from the sale of surplus energy, resulting from the difference between the long- and medium-term forecast and the short-term forecast on the Intraday Market administered by OPCOM and, respectively, from the difference between the predicted CPT and the actual CPT achieved on the Balancing Market.

In the context of the increase in prices on the entire energy market, on all time horizons, in the conditions of the decrease in the amount of electric energy required for CPT achieved by approx. 12% compared to the value achieved in the previous year, in the analyzed period there was an increase of more than 10 times in the revenues on the Intraday Market compared to the revenues recorded in the similar period of last year. For the Balancing Market, revenues increased by about 1.5 times compared to the same period of the year. Thus, the total revenues obtained from electric energy trading for CPT were about 2.5 times higher compared to the similar period of 2021.

The current price situation on the wholesale electric energy 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 striking and is evident at the level of the entire European continent, not

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

only at the level of Romania. The situation at European level has deteriorated rapidly since the beginning of the year, with unprecedented energy stress, especially for electric energy and natural gas.

Revenues from technological system services

The revenues from technological system services registered a decrease in 2022 compared to 2021 with the amount of 134,701, determined both by the decrease in the tariff approved by ANRE for these services (according to the table on the tariffs approved by ANRE for the analyzed periods, previously presented), as well as the decrease in the amount of electricity delivered to consumers by 7.41%, respectively by 4,177,948 MWh.

In 2022, the revenues from technological system services were higher with the amount of 21,579 compared to the expenses related to the acquisition of technological system services.

For the activity of technological system services, the regulatory framework specific to it contains regularization mechanisms that ensure the compensation of the surplus or deficit of revenues compared to the level of expenses necessary for the performance of the respective activity. Thus, according to ANRE regulations, the income surplus/deficit compared to recognized costs resulting from the performance of this activity is to be compensated by ex-post tariff correction (negative/positive correction) applied by ANRE in the tariff in the years following the one in which the surplus / deficit was recorded. The income surplus/deficit compared to the costs resulting from the performance of this activity is calculated over tariff programming periods.

Emergency energy assistance to neighboring

The income from emergency aid in the amount of 45,281 was recorded in accordance with the provisions of Contract no. 578/08.03.2022 concluded with UKRENERGO regarding the granting of emergency aid (exported energy) to Ukraine between August and December 2022, following the request of the neighboring TSO. The reason for granting emergency aid to Ukraine was the fact that interzonal voltage oscillations were detected in the Continental Europe interconnection in the east-west direction with very weak depreciation, and the TSO from Spain requested Ukraine, according to the emergency interconnection procedures of the energy systems in Ukraine and the Republic of Moldova, to reduce the export balance to 0 MW.

Revenues on the balancing market

The revenues achieved on the balancing market registered an increase in 2022 compared to 2021, with the amount of 1,659,431, mainly determined by the following aspects:

- European legislative regulations regarding the energy market and national regulations with a significant impact on the evolution of the electric energy market;
 - the evolution of the energy market at European and regional level;
 - the way of contracting on the markets prior to the balancing market;
 - the evolution of the average price recorded on the balancing market;
 - the evolution of the negative imbalance registered at the level of electric energy suppliers on the balancing market;
 - the evolution of hydraulics;
 - the evolution of electricity production and consumption.
- ✓ regulatory aspects:
- the elimination of price limits for bidding on the balancing market, according to the Regulation on the operation and settlement of the balancing market and the Regulation on the scheduling of dispatchable production units, dispatchable consumers and dispatchable storage facilities, approved by ANRE Order no. 61/31.03.2020;
 - the removal of the obligation to participate in the balancing market, according to the Regulation on the calculation and settlement of imbalances of the parties responsible for balancing - single imbalance price and for the amendment of some orders of the President of the National Energy Regulatory Authority, approved by ANRE Order no. 213/25.11.2020;
 - the transition of the balancing market to the settlement interval of 15 minutes;
 - application of the single settlement price on the balancing market starting from February 1, 2021;
 - the application, starting from June 1, 2021, of the new set of common rules for the settlement of

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

intentional energy exchanges and unintentional energy exchanges (FSKAR calculation methodology – Financial Settlement of $k\Delta f$, ACE and Ramping Period) which provides carrying out a financial settlement between the Transmission and System Operators, thus eliminating compensations in kind determined according to the ENTSO-E methodology by the Settlement Centers in Brauweiler (Germany) and Laufenburg (Switzerland), which CNTEE Tranelectrica SA traded on the Market for the next day. The respective Settlement Centers will transmit the results to each Transporter and System Operator in the form of daily files containing the intended exchanges and unintentional exchanges (quantities – prices) calculated for the respective Transporter and System Operator, on each settlement interval. The set price is the weighted average of the prices from trading on the Day-Ahead Markets in all ENTSO-E member states, the prices being expressed in Euro/MWh. The costs and revenues highlighted in the invoice received from JAO regarding the energy settlement related to unintentional exchanges will be included in the settlement calculation in the Balancing Market, in accordance with the provisions of ANRE Order no. 33/2021, regarding the amendment and completion of the Regulation for the calculation and settlement of imbalances of the parties responsible for balancing – single imbalance price, approved by ANRE Order no. 213/2020.

- The revenues, respectively the expenses related to the intentional exchanges of energy (FSKAR-FCP-EU) and the unintentional exchanges of energy (FSKAR-EU) are recorded at the indicators income on the balancing market, respectively expenses on the balancing market, taking into account the modification of the rules of settlement of imbalances on the energy market, intentional and unintentional exchanges being integrated into the settlement mechanism related to the balancing market;
- the application, starting from January 1, 2022, of the rules for compensation of imbalances between all TSOs, according to the IN Platform (Imbalance Netting). In this sense, from 01.01.2022, it was commissioned the European platform, International Grid Control Cooperation (IGCC) or IN Platform (Imbalance Netting) for the process of compensation of imbalances between all TSOs, which performs the automatic frequency restoration process pursuant to part IV of Regulation (EU) 2017/1485.
- We specify that the International Grid Control Cooperation (IGCC) represents the project that was chosen in 2016 by ENTSO-E, to become the future European platform for the imbalance compensation process, as defined in Regulation (EU) 2017/ 1485 of the Commission of August 2, 2017 establishing a guideline regarding the operation of the electric energy transmission system (art. 22). The IGCC initiative was started in 2010 by the operators in Germany and later expanded to the level of the central European systems, representing a way of optimizing the secondary regulation of frequency - alternating power, by reducing the actions of the opposite direction of the regulators of the member operators, resulting thus an optimized use of the system reserve "Frequency Restoration Reserve with automatic activation" of the RRF, at the overall level.

✓ aspects regarding the operation of the market:

In 2022, the energy situation at European level has deteriorated significantly compared to previous years, the electric energy deficit being very high due to the overlap of several factors, mainly generated by:

- the natural gas crisis, in the context of the war started by Russia against Ukraine;
- the accentuated increase in prices on the electric energy market at the European level, in the context of the resource crisis, with an impact on the way contracting is carried out on the markets prior to the balancing market at the local and regional level;
- significant increase in prices recorded on the balancing market;
- reduced hydraulics in 2022 compared to 2021 in the context of prolonged drought and very high temperatures throughout Europe (electric energy produced by hydroelectric plants was reduced compared to 2021);
- the very low availability of nuclear power plants in France, which, along with Germany, were the main exporters of electric energy at the European level;
- the evolution of electric energy production and consumption (electric energy production and domestic electric energy consumption decreasing compared to the similar period in 2021);
- the trend of increasing the price of CO2 certificates;
- the common settlement rules for intentional energy exchanges and the common settlement rules for unintentional energy exchanges established according to the provisions of Regulation (EU)

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

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no. 1485/2017 establishing a guideline regarding the operation of the electric energy transmission system and Regulation (EU) no. 2195/2017 establishing a guideline on balancing the electric energy system.

The regulations implemented in national legislation in accordance with the provisions of Regulation (EU) 2019/943 of the European Parliament and of the Council of June 5, 2019 regarding the electric energy market, settlement at the granularity interval of 15 minutes, application of the single settlement price on the electric energy balancing market, the European context of evolution of the electric energy market, the evolution of the price of CO2 certificates had a significant impact on the evolution of revenues/costs on the balancing market.

For the activity of managing the balancing market, the regulatory framework specific to it contains regularization mechanisms that ensure the compensation of the excess or deficit of revenues relative to the level of expenses necessary for the performance of the respective activity. Thus, according to ANRE regulations, the non-zero monthly balances (income surplus/deficit) resulting from the performance of this activity are to be compensated by ex-post tariff correction (negative/positive) applied by ANRE in the tariff in the years following the one in which they were recorded the respective balances.

Grid losses anticipatory tariff income

According to art. III of the Emergency Governmental Ordinance no. 119/2022 for the amendment and completion of the Emergency Governmental Ordinance no. 27/2022 regarding the measures applicable to final customers in the electric energy and natural gas market in the period April 1, 2022 - March 31, 2023, as well as for the modification and completion of some normative acts in the field of energy, for licensed economic operators, providers of services of electric energy transmission, the additional costs with the purchase of electric energy realized between January 1, 2022 and August 31, 2023, in order to cover the own technological consumption, compared to the costs included in the regulated tariffs, are capitalized, the assets resulting from the capitalization are depreciated on a period of 5 years from the date of capitalization.

Thus, on December 31, 2022, the Company recorded income from CPT capitalization in the amount of 338,527, representing additional CPT calculated as the difference between the net cost with the purchase of CPT and the CPT cost included in the regulatory tariff, for the period January 1 - 31 December 2022.

We specify that this income is of a non-monetary nature, its collection will be done by the Company in stages through the transport tariff in the next five years (2023-2027) in accordance with the relevant legislative provisions.

23. SYSTEM OPERATION AND BALANCING MARKET EXPENSES

The expenses for the system operation and from the balancing market incurred in 2022 and 2021 are as follows:

	<u>31 december 2022</u>	<u>31 december 2021</u>
Expenses on own technological consumption	827,588	527,639
Congestion expenses	343	1,603
Expenses for the electricity consumption in RET substations	39,592	24,582
Expenses regarding functional system services	31	4,022
ITC expenses (Inter TSO Compensation)	34,110	18,562
Total system operating expenses	<u>901,663</u>	<u>576,409</u>
Expenses regarding technological system services	466,608	609,608
Balancing market expenses	3,479,716	1,809,588
Total	<u>4,847,988</u>	<u>2,995,605</u>

Expenses on own technological consumption

These represent expenses for the purchase of electric energy from the free electric energy market, namely the Centralized Market of Bilateral Contracts (PCCB), the Day-Ahead Market (PZU), the Balancing Market (PE) and the Intraday Market (PI) to cover own technological consumption in RET.

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

Expenditures regarding own technological consumption were higher by the amount of 299,949 in 2022 compared to 2021, considering a number of aspects, as follows:

- due to its characteristics, the CPT in the RET is strongly influenced by meteorological conditions, the structure of electric energy production and consumption at the national level, the distribution of electric energy flows in the internal transmission grid and on interconnection lines with neighboring electricity systems, its value being very little/almost not at all controllable under the conditions of an interconnected and coupled regional energy market;
- the average price of energy purchased from PZU was 1,304.67 RON, more than 2.4 times higher in 2022 compared to 2021, with a maximum of 2,399.85 RON/MWh in August 2022, significantly exceeding values recorded in recent years. The same trend was observed at the European level, which had a significant impact on the costs recorded for CPT coverage;
- the unpredictability of the market was manifested by the accentuated and rapid increase of the prices, in the context of the increase in the price of the carbon emissions certificate, of a level of electricity production capacities insufficient to replace the production based on fossil fuels, especially that on coal and gas, in the context of market liberalization and the armed conflict in Ukraine, the lack of competition of producers and competition of suppliers for the purchase of energy, in order to be able to fulfill their contracts;
- taking into account the fact that the day-ahead markets are coupled within the CORE FB MC mechanism starting from June 2022, the increase in prices on the European level, determined by reduced hydraulics, in the context of prolonged drought and very high temperatures throughout Europe, as well as the reduced availability of nuclear power plants in France had a significant impact in increasing the electric energy deficit and the costs recorded for CPT coverage;
- the increase in prices on the previous markets, the application of the single settlement price on the balancing market, the transition of the balancing market to the 15-minute settlement interval, led to CPT costs related to the balancing market more than twice higher compared to the similar period of the previous year.

Congestion expenses

Congestions (network restrictions) are requests to transport electric energy beyond the technical capacity limits of the grid, requiring corrective actions from the transmission and system operator and occur when, during operation programming or real-time operation, the flow of power between two nodes or system areas leads to non-compliance with the safety parameters in the operation of an electric power system.

In 2022, expenses related to congestion were recorded in the amount of 343, mainly determined by:

- the congestions recorded in January 2022, which made it necessary to reduce the production in some wind power plants in the south-eastern area of the country, which had as their cause the transit of power through the SEN from Bulgaria to Hungary and Ukraine, on top of which it was also a very high production in CEE. These have determined very high power circulations on the 400 kV Smârdan – Gutinaș LEA and on several lines in Moldova and Transylvania, and in certain cases also on the south-north direction of the SEN, respectively exceeding the admissible values of the circulations through the characteristic sections 5 and 6 from SEN;
- the congestions recorded in March 2022 and reflected in the accounting records in April 2022 were caused by the functioning 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 a very high production in the CEE was superimposed (over 2,500 MW, a value much higher than the notified power) and for the inclusion of the sections in the admissible value characteristics 5, 6 of the SEN, in the conditions of very high power flows on the LEA 400 kV Smârdan – Gutinaș (approximately 900 MW) and on several lines from Moldova and Transylvania and on the south-north direction of the SEN, it was necessary to reduce production wind turbines in the Dobrogea area;
- the congestion recorded in April 2022 and reflected in the accounting records in May 2022. Thus, following the activation of the LEA 400 kV Cernavodă – Gura Ialomiței circ. 1 – temporary Făcăeni derivation, in order to comply with safety criteria in operation, power reductions were necessary due to network congestion at the renewable power plants in the Dobrogea area;
- the congestion recorded in June 2022. In the context of the activation of the 400 kV Țânțareni – Sibiu Sud LEA, the 220 kV Paroșeni – Târgu Jiu Nord LEA, the 220 kV Reșița – Timișoara circ. 2 (in the conditions in which the 220 kV Reșița – Timișoara circ. 1 LEA was withdrawn from operation, scheduled), the 400 kV Șanțareni – Bradu LEA, the 400 kV Domnești – Urechești LEA

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

in heatwave conditions, power reductions/increases were necessary on grid congestion at power plants in affected areas;

- the congestions recorded in December 2022. In order to meet the synchronism conditions necessary for the reconnection of the 400 kV Isaccea – Vulcănești LEA, after the completion of remedial actions for hot spots at the TIF coil in the Vulcănești station, in the context of very high transits of electricity through the SEN, under the conditions of a large export of electric energy from the south-eastern area of Europe to the central area of Europe and a high production in the wind power plants, it was necessary to reduce the production in the wind power plants in the Dobrogea area, due to network congestion. After exhausting the available supply of discounted wind power plants in the Balancing Market, the reduction outside the Balancing Market with financial compensation was also ordered.

Expenses for the electricity consumption in RET substations

In order to carry out the activity of electric energy transmission in the power stations and to operate the National Electroenergetic System in safe conditions, CNTEE Transelectrica SA must purchase electric energy to cover the consumption related to internal services from the high-voltage power stations under the Company's administration.

These expenses registered an increase of 15,010 in the year 2022 compared to the year 2021, an increase due to the increase in electric energy purchase prices and applicable legislative changes starting on July 1, 2021, respectively the provisions of ANRE Order no. 82/2021.

ITC expenses (Inter TSO Compensation)

ITC expenses represent the monthly payment obligations/collection rights for each transmission and system operator (TSO). They are established within the mechanism for compensation/settlement of the effects of the use of the electric transmission grid (RET) for electricity transits between TSO operators in the countries that have joined this mechanism within ENTSO-E. In 2022, these expenses were higher by 15,548 compared to the similar period of the previous year.

Expenses regarding technological system services

The technological system services are purchased by the Company from the producers in order to ensure the maintenance of the safety level in the operation of the SEN and the quality of the electric energy transmitted to the parameters required by the technical norms in force, based on the requirements established by the National Energy Dispatcher (organizational unit from within the Company) which is responsible for ensuring the stability and safety of the SEN operation.

The contracting of these services is carried out both in a competitive regime and in a regulated regime (based on ANRE Decisions), in the case of reserves for reactive energy.

The acquisition of technological system services in a competitive regime is carried out through daily tenders, in accordance with the provisions of Regulation (EU) 2019/943 of the European Parliament and of the Council of June 5, 2019.

In 2022, the contracting of system technological services in a regulated regime was carried out for reactive energy, according to ANRE Decision no. 1078/2020, being provided by the Hydroelectric Power Production Company "Hidroelectrica" SA.

Expenses with technological system services decreased in 2022 compared to 2021, amounting to 143,000. The purchase prices of technological system services on the competitive market in 2022 remained around the following values:

- the average purchase price of the secondary adjustment reserve at the value of 77.77 RON/MWh;
- the average purchase price of the rapid tertiary adjustment reserve, for power increase, at the value of 38.66 RON/MWh;
- the average purchase price of the rapid tertiary adjustment reserve, at power reduction, at the value of 9.42 RON/MWh.

Also, the year 2022 showed a high level of concentration of the technological system services market for secondary backup technological system services (RS).

Balancing market expenses

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

NPG TRANSELECTRICA SA**Notes to the consolidated financial statements as at December 31, 2022***(All amounts are in thousand LEI, unless stated otherwise)*

The expenses regarding the balancing market made in 2022 in the amount of 3,479,716 were higher by 1,670,128 compared to those made in 2021. These expenses result from the notifications/achievements of the participants on this market.

24. DEPRECIATION AND AMORTIZATION

	<u>31 december 2022</u>	<u>31 december 2021</u>
Expenses with the depreciation of the tangible and intangible fixed assets	258,228	275,245
Expenses with the depreciation of the intangible fixed assets – inclusiv Grid Losses	13,987	-
Expenses with the depreciation of the assets related to the rights of use of the leased assets	9,001	8,545
Total	<u>281,217</u>	<u>283,791</u>

Expenses with depreciation of tangible and intangible assets in the amount of 258,228 represents the depreciation recorded in 2022, corresponding to the commissioning of investment works and the taking-over of assets.

Expenses with depreciation of intangible assets – inclusiv Grid Losses in the amount of 13,987. These expenses were recorded in accordance with the provisions of OMF no. 3.900/2022 on the approval of accounting clarifications in application of the provisions of art. III of the Emergency Governmental Ordinance no. 119/2022 for the amendment and completion of the Emergency Governmental Ordinance no. 27/2022 on the measures applicable to final customers in the electric energy and natural gas market in the period April 1, 2022-March 31, 2023, as well as for the modification and completion of some normative acts in the field of energy.

According to art. III of the Emergency Governmental Ordinance no. 119/2022 for licensed economic operators, providers of electric energy transmission services, the additional costs of purchasing electric energy between January 1, 2022 and August 31, 2023, in order to cover own technological consumption, compared to the costs included in the tariffs regulated, are capitalized, and the assets resulting from the capitalization are depreciated over a period of 5 years from the date of capitalization.

Expenses with the amortization of intangible assets recognized according to IFRS 16 in the amount of 9,001 (the Group partially operates in leased office premises). According to IFRS 16 – Leasing contracts, the right to use the premises leased by the Group in office buildings is recognized as an asset assessed at the level of the rent to be paid until the end of the lease contract. The asset recognized according to IFRS 16 is depreciated at the level of the monthly rent and is recorded under the indicator "expenses with depreciation of tangible and intangible assets".

25. PERSONNEL EXPENSES

	<u>31 december 2022</u>	<u>31 december 2021</u>
Personnel expenses	385,954	317,510
- of which expenses for employees' salaries	<u>307,477</u>	<u>286,151</u>

Total personnel expenses in 2022 show an increase compared to 2021, mainly determined by:

- increase in expenses with staff salaries, increase in expenses with vouchers granted to employees (vacation vouchers and an increase of 10 lei in meal vouchers starting from September 2022), in expenses related to mandate contracts (Directorate, Supervisory Board), according to the legal provisions applicable;
- the establishment of provisions for executive and non-executive administrators representing compensation based on mandate contracts concluded in 2020 for the period 2020-2024;
- the updating of established provisions/the resumption of a part of the established provisions to income, simultaneously with the payment made for the OAVT certificates (OAVT = executive and non-executive administrator remuneration consisting of the variable component related to the OAVT packages allocated and not capitalized during the mandates executed during 2013 -2017), payments made based on enforceable court sentences received by the Company.

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

NPG TRANSELECTRICA SA**Notes to the consolidated financial statements as at December 31, 2022***(All amounts are in thousand LEI, unless stated otherwise)**ii) Number of employees*

On December 31, 2022 and December 31, 2021, the number of employees with individual employment contracts for an indefinite period is presented as follows:

Number of employees	31 december 2022	31 december 2021
Transelectrica SA	2,042	2,015
Smart SA	605	610
Teletrans SA	225	217

26. OTHER OPERATIONAL EXPENSES

	31 december 2022	31 december 2021
Other expenses with services provided by third parties	59,495	27,117
Postal and telecommunication expenses	783	1,192
Expenses on rents	6,500	5,044
(Revenues)/ Expense net for impairment adjustments for current assets	(4,303)	24,019
Other expenses	34,163	26,633
Total	96,637	84,003

In 2022, these expenses registered an increase in the amount of 21,634 compared to 2021, mainly determined by the variation of some elements of expenses, such as:

- the increase of some elements of expenses, respectively: expenses regarding the implementation of pan-European codes, expenses with staff training, expenses regarding electric energy consumption for administrative consumption, expenses regarding purchased gases, expenses regarding goods, expenses regarding rating agencies, royalty expenses, other expenses with services performed by third parties, etc.;
- the reduction of (net) operating expenses by resuming to income the adjustments for the depreciation of receivables (CET Govora SA, UCM Energy, GETICA 95 COM SRL, the Municipality of Reșita, etc.) simultaneously with the recording of adjustments for the depreciation of receivables for Next Energy Partners SRL, OPCOM SA, SMART SA, CET Govora SA, etc., respectively of adjustments for stock depreciation;
- resuming to income a part of the provisions set up for the depreciation of non-taxable fixed assets;
- the registration of the amount of 5,854 to other non-tax deductible operating expenses, representing the recognition of the Company's operational costs for the project "HVDC Link 400 kV (Submarine Cable Romania - Turkey)";
- the reduction of some elements of expenses, such as: the expenses for the OAVTs paid on the basis of the enforceable judgments issued by the court (OAVT Certificates granted to former executive and non-executive members and not capitalized, remuneration according to the mandate contracts concluded between 2013 and 2017), expenses regarding taxes and fees, expenses with fines and penalties from existing disputes, etc.

27. NET FINANCIAL RESULT

	31 december 2022	31 december 2021
Interest revenues	3,058	2,596
Revenues from exchange rate differences	59,603	4,144
Other financial revenues	2,398	(72)
Total financial revenues	65,058	6,669

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

NPG TRANSELECTRICA SA**Notes to the consolidated financial statements as at December 31, 2022***(All amounts are in thousand LEI, unless stated otherwise)*

	31 december 2022	31 december 2021
Interest expenses	(10,879)	(8,388)
Expenses from exchange rate differences	(62,371)	(7,501)
Other financial expenses	(21)	(10)
Total financial expenses	(73,271)	(15,898)
Net financial result	(8,213)	(9,229)

On December 31, 2022, the Company recorded a net financial result (loss) in the amount of 8,213, lower with 1,016 than the one recorded in 2021, mainly influenced by the evolution of the exchange rate of the national currency in relation to the foreign currencies in which the Company has contracted bank loans for the financing of investment programs and considered when carrying out transactions in the market coupling activity segment.

On December 31, 2022, in the total value of 10,879 (interest expenses), the sum of 641 represents the interest calculated for fixed assets related to the rights of use of assets leased - buildings, according to the provisions of IFRS 16 - Leasing contracts.

The increased level of income and expenses from exchange rate differences was significantly influenced by the large volume of transactions related to the market coupling activity segment in conjunction with the evolution of the exchange rates of the national currency in relation to the EUR.

Other financial incomes represent, mainly, the execution of the performance bond for works contract no. C260/2017 – Modernization of the 110 and 400 (220) kV installations in the Focșani-Vest station in the amount of 1,283 and the counter value of dividends received from subsidiaries in the amount of 1,537.

The exchange rate of the national currency recorded on December 31, 2022 compared to the one recorded on December 31, 2021, is presented as follows:

Moneda	31 december 2022	31 december 2021
Lei / Euro	4.9474	4.9481
Lei / Dolar SUA	4.6346	4.3707

28. FISCAL LEGISLATIVE FRAMEWORK

The legislative-fiscal framework in Romania and its implementation in practice changes frequently and is subject to different interpretations by various control bodies. Income tax returns are subject to review and corrections by the tax authorities, generally for a period of five years after the date of their completion. The management believes that it has adequately recorded the tax obligations in the financial statements; however, there remains the risk that the tax authorities will take different positions in relation to the interpretation of these matters. Their impact could not be determined at this time.

29. COMMITMENTS AND CONTINGENCIES**➤ Commitments**

On December 31, 2022, the Company had commitments in the amount of 953,150 representing ongoing contracts for investment works related to the modernization and refurbishment of the transmission grid.

➤ Lands used by the Group

According to the Group's policy, the financial statements only include the value of the lands for which certificates of attestation of the right of ownership were obtained at the date of the financial statements.

According to Law no. 99/1999, if the Company obtains the certificate of attestation of the right of ownership for a land after the moment of privatization, the land will be considered a contribution in kind of the Romanian State.

The Extraordinary General Meeting of Shareholders approved by Resolution no. 7/28.05.2020 the increase in principle of the share capital of CNTEE Transelectrica SA with the in-kind contribution represented by the value of a number of 17 plots of land for which the Company obtained the certificates of attestation of the right of ownership and the submission to the Office of the Trade Registry attached to the Bucharest Court and of the proposal to appoint JPA Audit si Consultanță SRL as an ANEVAR authorized evaluator for the evaluation in accordance with the law on the contribution in kind that is the object of the increase in the share capital.

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

NPG TRANSELECTRICA SA

Notes to the consolidated financial statements as at December 31, 2022

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

As a result of the ORCTB's validation of the proposal to the General Meeting of the Shareholders regarding the expert, JPA Audit si Consultanță SRL as ANEVAR authorized evaluator drew up and communicated to the Company the Evaluation Report no. 21278/10.05.2019, updated by the Evaluation Report no. 1158/10.01.2022 in which the fair value of the land is established on 30.09.2021.

Until 31.12.2022, there were different opinions on the application/interpretation of the incident legislation, respectively the privatization legislation and the capital market legislation, and CNTEE Transelectrica SA is in the objective impossibility of increasing the share capital by the value of the 17 lands for which the Company obtained the certificates attesting the right of ownership and for which the expert JPA Audit si Consultanță SRL established a fair value.

➤ **Litigation in progress**

The management periodically analyzes the situation of ongoing litigation, and after consulting with its legal representatives, decides the need to create provisions for the amounts involved or to present them in the financial statements.

Given the existing information, the Company's management believes that there are no other significant pending litigations in which the Company is a defendant, except for the following:

• **RAAN**

On the docket of Mehedinti Tribunal, Civil Section II, Administrative and Fiscal Disputes Section file **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 the defendant, the plaintiff being the Independent Authority for Nuclear Activities, RAAN.

Civil ruling 127 pronounced on 10.10.2014 by Mehedinti Tribunal admitted the request filed by plaintiff RAAN and ordered CNTEE Transelectrica SA to pay the amount of 1,090,831.70 Lei, constituting the value of invoice 1300215/31.12.2013.

The Company filed appeal and requested the court by the decision it would take to allow the appeal as it was filed and reverse the judgment and sentences under appeal and referring the case to the trial court in the territorial jurisdiction for judgement, and stating the compliance with the requirements of Articles 1616 and 1617 of the Civil Code, reason for which it is also required to declare the occurrence of mutual debts compensation and their redemption up to the amount of the smallest of 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.

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

Under such circumstances RAAN calculated penalties for late payment of the due cogeneration bonus amounting to 3,496,914, withheld from 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.

The subject of file **9089/101/2013/a152** is objection against the Additional liability table of debtor RAAN, the disputed amount being 89,360,986 Lei.

Transelectrica SA was recoded with 11,264,777 Lei in the table of debtor RAAN, in the category of receivables resulting from the debtor's uninterrupted activity, the actual amount the Company requested being 89,360,986 Lei, but 78,096,208.76 Lei were not registered in the preliminary receivable table because "such sum was not recorded as owed liability in RAAN's accounting books". Moreover the judiciary liquidator considered the request to record 78,096,209 Lei was made late since it pertained to 2011 – 2013, for which reason the receivable statement should have been submitted when the insolvency procedure began, namely on 18.09.2013. The contestation of the additional liability table as Mehedinti Tribunal admitted the accounting expertise evidence.

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

NPG TRANSELECTRICA SA

Notes to the consolidated financial statements as at December 31, 2022

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

On the contestation judgment term 14.06.2018 the decision was taken to suspend it until settlement of file **3014/2/2014** 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 deferred because the court considered it useful to settle the case by submitting Civil ruling 2969/26.09.2018, pronounced by the High Court of Cassation and Justice under file 3014/2/2014, pertaining to cancelling Decision 743/2014 of ANRE President.

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

On the 06.11.2019 hearing date the appeal was rejected as groundless; final decision. Ruling 846/06.11.2019.

Transelectrica filed a review request for contradictory decisions registered under file **1711/54/2019** hearing term on 26.03.2020 with the Appeal Court Craiova, which will refer the file to the High Court of Cassation and Justice for competent settlement.

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

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

Under RAAN's bankruptcy file registered under number **9089/101/2013**, Mehedinti Tribunal deferred the case on 08.10.2020 and 04.02.2021 terms. Settlement in brief: a term was granted to continue liquidation procedures, to represent the debtor's interests in the disputes on the dockets of law courts; to consolidate the creditors' list; to continue public auctions capitalising the debtor's assets.

At 09.02.2023, a deadline was granted for the continuation of the procedure, respectively for the capitalization of the assets, the collection of debts and the fulfillment of the other liquidation operations, and the next deadline is set for the date of **15.06.2023**.

Between RAAN and Transelectrica there are other 4 files under various court terms.

• **Court of Accounts**

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

On 13.06.2018 the claimant's case was partly admitted. It partly cancelled the defendant-issued conclusion 7/20.02.2014, decision 37/9.12.2013 and the control report 35521/6.11.2012 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 pct. 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 approved the electricity technical expertise report drafted by Toaxen Vasile as expert; 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, file no. 1658/2/2014 became file no. **2985/1/2021**. The court date is 24.11.2022. At the term of 24.11.2022, appeal solution: the court finds the nullity of the appeal filed by the plaintiff NPG Transelectrica SA against Sentence no. 8 of January 20, 2021 of the Bucharest Court of Appeal - Section VIII administrative and fiscal litigation pronounced in file no. 6576/2/2017. Final.

Following an audit performed in 2017, 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 Company filed 8 contestations against the measures decided by Romania's Court of Audit (CCR) under Decision 8/27.06.2017, requesting their cancellation as well as cancelling Conclusion 77/03.08.2017, registered

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under number 29117/08.08.2017 in the Company's Registration Office, namely the Audit Report 19211/26.05.2017. Contestations are under settlement on the docket of the Appeal Court Bucharest (**2 files: 6576/2/2017** on cancelling the findings of items 7.1, 7.2. and 8, and the measure decided in item II.10, term on 20.01.2021, settlement: the exceptions of inadmissibility, invoked in the response, are rejected, the request is rejected, as unfounded - Transelectrica declared appeal on 19.11.2021 and **file 6581/2/2017** on cancelling the findings of item 6 and the measure decided in item II.9, **hearing term on 31.03.2023**) and on the docket of the High Court for Cassation and Justice (4 files: file no. **6577/2/2017**, regarding the annulment of the findings from point 13, as well as the measure ordered at point II.13, which became file no. **1614/1/2020**, deadline 27.01.2022, by which the appeal filed by the plaintiff NPG Transelectrica S.A. is rejected against Sentence no. 2678 of December 30, 2019 of the Bucharest Court of Appeal – Section VIII administrative and fiscal litigation, pronounced in File no. **6577/2/2017**, as unfounded. Final, file no. **6578/2/2017**, regarding the annulment of the findings from point 9, as well as the measure ordered at point II.11, court term on 28.06.2022, by which the appeal declared by the plaintiff NPG Transelectrica is rejected as late against civil sentence no. 1566 of April 23, 2019, pronounced by the Court of Appeal of Bucharest - Section VIII administrative and fiscal litigation, regarding the solution ordered on the request for suspension. Rejects the appeal declared by the plaintiff NPG Transelectrica S.A. against the same sentence, regarding the solution ordered on the request for annulment, as unfounded. Final, file no. **6574/2/2017** regarding the annulment of the findings from point 5.2, as well as the measure ordered at point II.8, trial date on 19.10.2021 - Rejects the appeals declared by the appellant-plaintiff NPG Transelectrica S.A. against Civil Judgment no. 1074 of March 8, 2018 and of the Closing Session of January 11, 2018, pronounced by the Bucharest Court of Appeal – Section VIII Administrative and Fiscal Litigation, as unfounded. Final). Three cases were settled final, by rejecting the application for annulment by the Bucharest Court of Appeal and the rejection of the appeals by the High Court of Cassation and Justice (file no. 6583/2/2017 regarding the annulment of the findings from point 5.1, as and the measure ordered at point II.7 and II.8 and file no. 6582/2/2017 regarding the cancellation of the findings from point 11, as well as the measure ordered at point I.5, file no. 6580/2/2017 regarding the cancellation findings from point 10, as well as the measure ordered at point II.12).

In January-July 2020 Romania's Court of Audit performed control in all Territorial Transmission Units of NPG Transelectrica, and from 25.05 to 27.08.2020 such verification continued in the Company's executive offices. CCR's control pertained to the *"situation, development and administration mode of the state's public and private patrimonial assets, as well as the legality of obtained revenues and of expenses made in 2017-2019" in NPG Transelectrica SA*.

The above-mentioned control on such topic began on 25.05.2020 in the Company's executive offices was suspended by CCR because another control was initiated on the *"management of public resources during the emergency period"*. It started on 02.06.2020 and ended on 26.06.2020.

The Audit Report elaborated by CCR auditors about the *"control on the management of public resources during the emergency period"*, registered in the Company under no. 24225/26.06.2020, have ascertained no deficiencies, consequently no decision was issued with measures.

When the audit ended on the administration of the state's public and private patrimonial assets and the legality of obtained revenues and expenses made in 2017-2019, completed on 06.10.2020, Audit Report 40507/06.10.2020 was issued and on 09.11.2020 Romania's Court of Audit by Department IV issued Decision 15 with 10 measures, deadline on 31.05.2021, which term was extended by CCR to 31.12.2021 upon Company's request.

The Company filed objections and submitted Contestation 50090/26.11.2020 registered under no. 139775/26.11.2020 by the Court of Audit, requesting cancellation of such measures. CCR auditors examined and reviewed the Company's Contestation by Conclusion 2/10.03.2021, and admitted only one measure of the 10 decided.

On 02.04.2021, the Company filed an appeal regarding the annulment of the administrative act, file registered at the Bucharest Court of Appeal under no. **2153/2/2021**.

On the 10.12.2021 term the Company's suing was denied as groundless. It denied the suspension request as groundless; appeal right within 15 days from notification, and appeal right within 5 days from notification as regards the suspension request; such appeal to be submitted to the Appeal Court Bucharest.

- **ANRE**

NPG Transelectrica SA filed complaint against Order 51/ 26.06.2014 of ANRE president registered with ANRE under no. 47714 / 04.08.2014 and contestation with the Appeal Court Bucharest, registered under

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file **4921/2/2014**, whereby it requested amending the fore-mentioned order either by issuing a new one recalculating the RRR at 9.87% (recalculated using a (β) coefficient of 1.0359, according to the internal analysis of Transelectrica) or should this request be rejected, using the same percentage 8.52% established by ANRE for 2013 and semester I of 2014.

On 26.06.2014 ANRE Order 51 was issued and published in the Official Gazette 474/27.06.2014 regarding approval of the average tariff for transmission services, the system service tariffs and zone tariffs for transmission services charged by the National Power Grid Company Transelectrica SA and cancellation of 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 ANRE calculation of the regulated rate of return (RRR) 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 25.09.2018 term the settlement in brief decided to resort again to the expert letter, in view of conducting the expertise report and submit it to the file, mentioning to prove the impossibility to submit the expertise report until hearing term in which case the case will be postponed.

At the trial date on 22.01.2019, the court approves in principle the request for accessory intervention in the interest of the defendant (ANRE), formulated by the intervener ALRO SA, with an appeal along with the merits. On 25.06.2019, in order to give the parties the opportunity to learn about the content of the expert report, the case is postponed and a new trial date is ordered.

At the trial date on 10.09.2019, considering the request of the representative of the plaintiff to learn about the content of the objections formulated by the intervener and to give it the opportunity to respond to them, bearing in mind the fact that the plaintiff submitted meeting notes accompanied by documents that require translation, admits the request to postpone the case and orders the establishing of a new trial date.

At the trial date on 03.12.2019, it was decided to postpone the case and to establish a new trial date in order to return with an address to the expert to file the answer to the objections, with the mention that he should appear in court at the next trial date. It will suggest to the expert that, before the next trial date, he should communicate a copy of the response to the objections to the parties.

At the next trial on 12.05.2020, the file was suspended for the entire period of the state of emergency.

On 23.06.2020, the case was postponed to give the parties the opportunity to take note of the response to the objections. Also, at the trial date on 21.07.2020, the case was postponed, the solution being: address to the expert to appear in court.

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

At the trial date on 11.01.2021, the solution in short is: Accepts the operative part completion request. Orders the completion of the operative of civil sentence no. 362/06.10.2020 with the solution given on the request for accessory intervention, in the sense that: Admits the request for accessory intervention, formulated by the intervener ALRO SA in support of the defendant ANRE. With the right of appeal within 15 days from the communication, the appeal petition to be submitted to the Bucharest Court of Appeal.

Transelectrica filed appeal to be judged on 08.06.2021.

Solution details: "Rejects the appeal declared by the appellant-plaintiff Compania Nationala de Transport al Energiei Electrice Transelectrica SA against sentence no. 362 of October 6, 2020, pronounced by the Bucharest Court of Appeal - Section VIII administrative and fiscal litigation, as unfounded. Definitive. Pronounced in public session, today, May 25, 2022."

This dispute did not impact the relationship with ANRE or the Company's financial results.

- **OPCOM**

On the dockets of the Bucharest Court, file no. **22567/3/2019**, which is about "claims", file in which the Company is the plaintiff, the defendant being OPCOM SA.

Through the sue petition, the plaintiff NPG Transelectrica SA requested the court that, by the judgment it

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will pronounce, to order:

- obliging the defendant OPCOM SA to pay the amount of 4,517 RON, related to the invoice series TEL 16 AAA no. 19533/29.07.2016, representing the value of the VAT related to the contribution brought by NPG Transelectrica SA to the share capital of OPCOM SA, issued on the basis of Loan Agreement no. 7181RO/2003, commitment for the financing of the "Electricity Market Project" investment project;

- obliging the defendant OPCOM SA to pay the amount of 1,294 RON related to invoices TEL 19 T00 no. 17/28.01.2019 and TEL 19 T00 no. 131/10.07.2019, representing the legal penalty interest, calculated for non-payment on time of the invoice series TEL 16 AAA no. 19533/29.07.2016.

- obliging the defendant OPCOM SA to pay trial expenses.

At the trial date on 03.07.2020, the court discussed the request of the parties to suspend the trial of file no. 22567/3/2019, formulated by OPCOM reserving judgement.

At the trial date on 17.07.2020, the court pronounced the following solution in short: Suspend the trial of the case until the final settlement of file no. **31001/3/2017**, having as its object an action to annul the decision of the General Meeting of Shareholders of Opcom (in which Transelectrica is not a party and in which on 01.02.2021 it was decided to reject the declared appeals, the solution being final).

After the final settlement of file no. 31001/3/2017, CNTEE Transelectrica SA filed a request to reinstate file no. 22567/3/2019, as the reason for suspending the case no longer existed. The Bucharest Court put the case back on the docket, setting a trial date for 05.11.2021.

At this trial date, after the appeal filed in the case, the court gave the floor to the parties on the "exception of the prescription of the material right to action". After the oral submissions by the parties on this exception, the court reserved the judgement, postponing the ruling to 03.12.2021.

On 03.12.2021, the Bucharest Court pronounced the following solution in short: "Admits the exception of the prescription of the substantive right to action. Dismiss the action as time-barred. "Document: Decision 3021/2021 03.12.2021".

The company declared appeal. The court rejects the appeal as unfounded. It obliges the appellant to pay to the respondent the sum of 11,325.21 lei as court costs. With appeal within 30 days from the communication of the decision. Decision 1532/12.10.2022.

Before the Bucharest Court, file no. **24242/3/2021**, in which the plaintiff is OPCOM SA, and NPG Transelectrica SA is the defendant.

The purpose of this file is to establish the nullity of the act - contribution in kind, materialized through intangible assets, the trading platform - the Commercial Exchange and the Regional Electricity Exchange, financed by loans contracted by NPG Transelectrica SA from IBRD, based on loan agreement no. . 7181RO/17.07.2003, as well as from NPG Transelectrica SA's own sources, which were made on the basis of service contracts and deliverables no.: P081406-O-C.78, P081406-O-C.125 and P081406-O-C.300/2005, materialized by AGEA Decision no. 6/15.06.2016 and, subsequently, AGOA Decision no. 2/25.05.2017 and AGOA Decision no. 7/24/05/2018.

At the court date of 11.04.2022, the court discussed the exceptions invoked by NPG Transelectrica SA, by response. Also, at this term, the proposed evidence to be administered in this case was discussed. The court postponed the trial of the case to the fixed term of 22.11.2022, in order to administer the evidence with the financial-accounting expertise to be carried out in this file. After several postponements, the next deadline is set for **16.05.2023** for lack of expert report.

• **CONAID COMPANY SRL**

In 2013, Conaid Company SRL sued NPG Transelectrica for its unjustified refusal to sign an addendum to the connection contract or a new connection contract and requested compensation for the expenses incurred up to that point in the amount of 17,420 and unrealized profits for the period 2013-2033 in the amount of EUR 722,76 mil. Until this moment, the Company has not concluded an addendum to the connection contract because the suspensive conditions included in the contract have not been fulfilled by Conaid Company SRL. A new connection contract should have been concluded by March 11, 2014, the date on which the technical approval for connection expired. File no. 5302/2/2013 was on the docket of the High Court of Cassation and Justice, Administrative and Fiscal Litigation Section, having as its object the obligation to issue an administrative act, the procedural stage – appeal, the trial term being 09.12.2015. At this term, the High Court of Cassation and Justice admitted, in principle, the appeals and set a deadline for the trial, on the merits, of the appeals on April 8, 2016. Complete 4, with the citation of

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the parties.

The judgment of the case was postponed to 17.06.2016, when the court remained in judgment, postponing the judgment to 29.06.2016, when it issued Decision no. 2148/2016, by which it ordered the following: "Rejects the exceptions invoked by the appellant-plaintiff Conaid Company S.R.L., through the judicial administrator RVA Insolvency Specialists SPRL and by the appellant-defendant Compania Națională de Transport al Energiei Electrice Transelectrica S.A. Admits the appeal declared by the defendant Compania Națională de Transport al Energiei Electrice Transelectrica S.A. against the decision of the meeting of February 18, 2014 and the civil sentence no. 1866 of June 11, 2014, pronounced by the Bucharest Court of Appeal - Section VIII administrative and fiscal litigation. Overturns the challenged conclusion and the sentence in part and sends the case to the Bucharest Court – Civil Section VI for the resolution of the plaintiff's action against Transelectrica S.A. Maintains the other provisions of the sentence regarding the plaintiff's action against the National Energy Regulatory Authority. It rejects the appeals declared by the plaintiff Conaid Company S.R.L., through the judicial administrator RVA Insolvency Specialists SPRL and by the intervener Duro Felguera S.A. against civil sentence no. 1866 of June 11, 2014, pronounced by the Bucharest Court of Appeal - Section VIII administrative and fiscal litigation. Rejects the appeal declared by the defendant Compania Națională de Transport al Energiei Electrice Transelectrica S.A. against the conclusion of the meeting of March 25, 2014, issued by the Bucharest Court of Appeal - Section VIII administrative and fiscal litigation. Definitive. Pronounced in public session, on June 29, 2016.

On the role of the Bucharest Court - VI Civil Section, the case was registered under no. 12107/3/2017. By civil sentence no. 4364/23.11.2017, the Court admits the exception of inadmissibility and rejects the request as inadmissible. It also rejects the request for intervention in the interest of the plaintiff. With appeal within 30 days of communication. The appeal was submitted to the Bucharest Court, Civil Section VI and available to the parties through the registry, on 23.11.2017.

On 02.11.2018, a new summons request filed by Conaid Company SRL, in file no. **36755/3/2018**, by which the plaintiff requested the court to order the obligation of Transelectrica SA to "repair the damage caused to the plaintiff, as a result of the defendant's culpable failure to fulfill its obligations, in the amount of 17,216, consisting of the damage actually suffered and the unrealized benefit, provisionally estimated at 100 thou. euros. Considering the unjustified refusal of Transelectrica SA to conclude and sign an addendum to Contract no. C154/27.04.2012, and in the situation where the court will consider that, from a formal point of view, the obligation regarding the suspensive conditions cannot be considered fulfilled by the plaintiff, this non-execution is due to the exclusive fault of Transelectrica SA, the defendant preventing the fulfillment of the conditions".

At the deadline of 15.10.2019, reject as unfounded the exceptions of lack of active procedural quality and lack of interest. It unites with the fund except for the prescription. With appeal together with the fund. Pronounced by making the solution available to the parties through the mediation of the court registry.

Grants a deadline for the continuation of the investigation of the process on 26.11.2019, with the summoning of the parties. With appeal together with the fund. Pronounced by making the solution available to the parties through the mediation of the court registry.

It is postponed for the administration of evidence with expertise and a deadline of 21.01.2020 is granted.

On 21.01.2020, the case is postponed to carry out the expertise and the next term is granted on 31.03.2020.

At the term of 31.03.2020, the short solution was the following: Suspended by law based on art. 42 paragraph 6 of the Decree of the President of Romania 195/2020 regarding the establishment of the state of emergency on the territory of Romania, for the entire period of the state of emergency.

After several postponements, the next deadline is set for 07.12.2022, the case is postponed due to the lack of response to the objections and the next term is granted on 22.02.2023 and subsequently **03.05.2023** also for the same case.

- **ROMENERGY INDUSTRY**

File no. 2088/107/2016 before the Alba Tribunal has as its object "Bankruptcy - Application for enrollment in the credal table". Transelectrica submitted an application for registration to the credit table with the amount of 16,112, and the claim was admitted and entered in the preliminary table.

The solution in short: I set a deadline of 14.10.2019, for the continuation of the bankruptcy procedure, through the capitalization of assets and the recovery of debts. The judicial liquidator will draw up and

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submit to the file: - every 15th of the month, for the previous month, the monthly activity reports provided for in paragraph 1 of art. 59 Law 85/2014; - for the verification term, 5 days before the term, the summary report at 120 days, provided by the final part of par. 3 of art. 59 Law 85/2014.

On 11.05.2020, the trial was suspended by right, for the duration of the state of emergency, established on the territory of Romania.

At the deadline of 22.06.2020, the case was postponed. The solution in short: the report on the funds obtained from the liquidation of the debtor's assets and the distribution plan dated 06.03.2020 was approved.

The case was postponed to the deadline of 18.01.2021. The solution in short: Report no. 1334 on the funds obtained from the liquidation of the debtor's assets and Plan no. 1335 distribution of funds.

At the deadline of 16.05.2022, a deadline of 19.09.2022 is set for the continuation of the bankruptcy procedure, through the capitalization of assets and the recovery of debts.

On 19.09.2022, a deadline of 12.12.2022 is set for the continuation of the bankruptcy procedure, through the capitalization of assets and the recovery of debts.

At the deadline of 12.12.2022, the court approves the final report drawn up by the judicial liquidator New Insolvency SPRL, coordinating associate Bica Rosana. Based on art. 175 para. 2 of Law no. 85/2014, closes the bankruptcy procedure concerning the debtor ROMENERGY INDUSTRY S.R.L. Orders the debtor company to be deleted from the trade register. In accordance with the provisions of art. 180 of the law, the syndic judge and the judicial liquidator are relieved of any duties or responsibilities regarding the procedure, the debtor and her assets, creditors and associates. With right of appeal within 7 days of communication through BPI.

• MUNICIPIUL REȘIȚA

File no. **2494/115/2018*** - file no. **2494/115/2018****, registered on the roll of the Caras Severin Court, is the subject of the summons, by which the plaintiff Resita Municipality requests the obligation of the defendant Transelectrica SA to pay the following amounts:

- 2,130, representing the rent for the temporarily occupied land area from the forestry fund related to 2015;
- 2,130, representing land rent related to 2016;
- 2,130, representing land rent related to 2018;
- 2,130, representing land rent related to 2019;
- 2,130, representing land rent related to 2020;
- punitive legal interest from the due date until actual payment.

The solution in short: Accept the exception of territorial non-competence of the Caras-Severin Tribunal. It declines the competence to resolve the request made by the plaintiff Resita Municipality - through the mayor, contrary to the defendant "Transelectrica" SA, in favor of the Bucharest Court. No appeal, according to art. 132 paragraph 3 of the Code of Civil Procedure. Pronounced in public. Decision 313/11.03.2019.

At the deadline of 25.10.2019, the exception of the territorial incompetence of the Bucharest Court is admitted. It declines the competence to resolve the case in favor of the Caras-Severin Court. It states that there is a negative conflict of jurisdiction between the Bucharest Court and the Caras-Severin Court. Suspend the case and forward the file to the High Court of Cassation and Justice, in order to resolve the negative conflict of jurisdiction. No recourse. Decision 2376/25.10.2019.

The High Court of Cassation and Justice at the deadline of 16.07.2020, by decision no. 1578, established the competence to resolve the case in favor of the Caras Severin Court – Civil Section I.

File no. **2494/115/2018**** at the term of 22.03.2021, the short solution is: Suspend the trial of the summons request filed by the plaintiff Resita Municipality, through the Mayor, in opposition to the defendant "Transelectrica" SA, having as its object claims, in the basis of art. 413 paragraph (1) point 1 of the Civil Code With appeal, how long does the suspension of the course of trial of the trial last, to the hierarchically superior court.

The suspension of the judgement of the case was ordered until the final settlement of file no. 3154/115/2018* of the Caraș Severin Court.

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At the trial date on 19.01.2023, the solution in short is: Rejects the exception of the non-stamping of the petition considering that the defendant does not have the necessary capacity to invoke the method of establishing the stamp duty. It rejects the exception of the lateness of the formulation of the amending request of the sue petition. Prolongs the discussion on the exception of the positive effect of res judicata authority until the deadline when the decision of the High Court of Cassation and Justice will be submitted in its entirety in file no. 3154/115/2018**. Prolongs the ruling on the probation requests consisting of the evidence with the defendant's interrogation and the accounting expertise. Postpones the trial of the case and establishes a trial date on 02.03.2023.

At the trial date on 02.03.2023, the solution in short is: "suspends the trial of the sue petition filed by the plaintiff Reșita Municipality, in opposition to the defendant Compania National de Transport al Energiei Electrice "Transelectrica" SA, having as object claims. With the right of appeal throughout the suspension of the trial."

- **NAFA**

In 2017, the general fiscal inspection started at the headquarters of Transelectrica SA on 14.12.2011 was completed, which covered the period from December 2005 to December 2010. The general fiscal inspection began on 14.12.2011 and ended on 26.06.2017, the date of the final discussion with Transelectrica SA.

As a result of the completion of the control, NAFA - DGAMC has established additional fiscal obligations to be paid by the Company, namely profit tax and VAT, as well as additional fiscal obligations (interests/late increases and late penalties) related to the system services system technology charges (STS) billed by energy suppliers, considered non-deductible following the fiscal inspection.

According to the Taxation Decision no. F-MC 439/30.06.2017 in the total amount of 99,013, NAFA – DGAMC established additional fiscal payment obligations by the Company, in the amount of 35,105, as well as additional fiscal obligations (interest/ late payment increases and delay penalties), in the amount of 63,908.

Mainly, the Fiscal Inspection Report of NAFA recorded the following additional payment obligations: profit tax in the amount of 13,727, as well as accessories, due for a number of unused invoices identified as missing (they were destroyed in the fire broke out on the night of June 26-27, 2009, at the workplace in the Millenium Business Center building in Armand Călinescu Street no. 2-4, sector 2, where the Company was operating), documents with special regime.

These invoices were the subject of a dispute with NAFA, which issued a fiscal inspection report on September 20, 2011, which estimated the VAT collected for a number of unused invoices identified as missing.

The company appealed within the legal term, according to OG no. 92/2003 regarding the Fiscal Procedure Code, Taxation Decision no. F-MC 439/30.06.2017.

NAFA issued enforcement title no. 13540/22.08.2017 on the basis of which the additional payment obligations established by the Taxation Decision no. F-MC 439/30.06.2017.

The company requested the cancellation of executive title no. 13540/22.08.2017 at the Court of Appeal - file no. 7141/2/2017. The solution in short: Admits the exception of material incompetence of the Bucharest Court of Appeal - SCAF. It declines in favor of the Bucharest District 1 Court the material competence to resolve the case. No recourse. Pronounced in public session from 08.02.2018. Document: Decision no. 478/2018 of 08.02.2018.

Following the decline of jurisdiction, the case file no. 8993/299/2018, by which the Company challenged the enforced execution started pursuant to enforcement title no. 13540/22.08.2017, which is based on Taxation Decision no. F-MC 439/30.06.2017.

Following the Company's contestation of the fiscal administrative act Decision no. F-MC 439/30.06.2017, NAFA notified the Company Decision no. 122/13.03.2018 rejecting as unfounded the appeal filed by NPG Transelectrica SA, the decision being received on 16.03.2018, after the submission of the request for summons which is the subject of file no. 1802/2/2018.

The solution in short: Admits the request for suspension of the judgment formulated by the appellants. Based on art. 413 para. (1) point 1 of the procedural code. civil court suspends the trial until the final settlement of file no. 1802/2/2018, pending at the Bucharest Court of Appeal, Section VIII administrative and fiscal litigation. With appeal for the entire duration of the suspension, the request for appeal will be

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submitted to the District 1 Court of Bucharest. Document: Termination - Suspension 04/17/2018.

The Court of Appeal has file no. **1802/2/2018** by which the Company challenged the fiscal administrative act Decision no. F-MC 439/30.06.2017.

At the court term of 06.11.2018, the administration of evidence was admitted with the expertise in the accounting - taxation specialization.

At the CAB court date of 21.07.2020, the ruling was postponed. On 30.07.2020, the case was put back on the docket, for additional clarifications.

At the deadline of 20.10.2020, the request was partially admitted with the following brief solution: the lis pendens requests were partially admitted.

It was canceled in part Decision no. 122/13.03.2018, regarding the settlement of the appeal filed against the Taxation Decision no. F-MC 439/30.06.2017, issued by the National Tax Administration Agency - General Directorate for the Resolution of Appeals, Taxation Decision no. F-MC 439/30.06.2017, issued on 12.07.2017, by the National Fiscal Administration Agency - General Directorate for the Administration of Large Taxpayers, Taxation Decision no. F-MC 439/30.06.2017, issued by the National Tax Administration Agency - General Directorate for the Administration of Large Taxpayers and the Tax Inspection Report no. F-MC 222 concluded on 30.06.2017, which was the basis for issuing the tax decision, in the sense that:

- removes the obligation to pay profit tax in the amount of 18,522, VAT in the amount of 5,695 and the related fiscal accessories, in the amount of 48,437, fiscal obligations established for the 349 fiscal invoices with a special regime found to be missing from the applicant's management.
- removes the non-deductible nature of the taxable profit calculation of the amount of 27,002, representing the technological system services invoiced by the energy suppliers, considered non-deductible following the fiscal inspection and the obligation to pay the main and accessory fiscal claims in relation to this amount.
- removes the non-deductibility when calculating the taxable profit of the amount of 344, representing "weed removal services" and the obligation to pay the main and accessory fiscal claims in relation to this amount
- removes the non-deductibility when calculating the taxable profit of the amount of 230,685, representing expenses with products of a promotional and protocol nature and the obligation to pay the main and ancillary fiscal claims in relation to this amount.
- removes the non-deductibility of VAT in the amount of 46, related to the amount of 344, representing "weed removal services" and the obligation to pay the main and ancillary fiscal claims related to this amount.
- removes the non-deductible nature of VAT in the amount of 38 related to the amount of 231, representing expenses with products of the promotional and protocol nature and the obligation to pay the main and accessory fiscal claims in I match with this amount.
- remove the mention regarding the obligation of the Sibiu Transport Branch within NPG Transelectrica S.A to register the amount of 577 as taxable income, at the latest on 30.06.2010, the date on which the unit's registration was accepted verified at the credit table with this amount, the mention regarding the character of taxable income when calculating the profit of the amount of 577 in accordance with the provisions of art. 19 para. 1 of Law no. 571/2003 regarding the Fiscal Code with subsequent amendments and additions, in conjunction with point 23 letter d from GD 44/2004 including the methodological norms for the application of Law no. 571/2003, the chapter related to the profit tax, respectively chapter VII the function of the accounts from Order no. 3055 of October 29, 2009 for the approval of the Accounting Regulations in accordance with the European directives and the obligation to pay the main and accessory fiscal claims in relation to this amount.
- removed from the Process- Verbally, the finding made regarding "the determination of the deductible value added tax lower than that registered by the plaintiff, thus resulting in a difference in the amount of 13" (annex no. 15) and the obligation to pay the main and accessory fiscal claims in relation to this amount

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- removes the obligation to pay late penalties that have a legal sanctioning regime, calculated for a period longer than 6 months from the date of the start of the fiscal inspection, regarding the main fiscal obligations that were maintained to the court by this decision, as established by Taxation Decision no. F-MC 439/3 06.06.2017, issued on 12.07.2017, by the National Agency for Tax Administration - General Directorate for the Administration of Large Taxpayers, Taxation Decision no. F-MC 439/30.06.2017, issued by the National Agency for Tax Administration - Directorate General Administration of Large Taxpayers and by Decision no. 122/13.03.2018, regarding the resolution of the appeal filed against the Taxation Decision no. F-MC 439/30.06.2017, issued by the National Agency for Fiscal Administration - General Directorate for Resolution of Appeals.

Maintains the other provisions contained in Decision no. 122/13.03.2018, regarding the resolution of the appeal filed against the imposition Decision no. F-MC 439/30.06.2017, issued by the National Agency for Fiscal Administration - General Directorate for Resolution of Appeals, Decision on imposition no. F-MC 439/30.06.2017, issued on 12.07.2017, by the National Tax Administration Agency - General Directorate for the Administration of Large Taxpayers, Taxation Decision no. F-MC 439/30.06.2017, issued by the National Agency of Fiscal Administration – General Directorate for Administration of Large Taxpayers. Rejects the rest of the *lis pendens* requests as unfounded. Rejects as unfounded the request for court costs consisting of the judicial stamp duty. It obliges the defendants, jointly and severally, to pay to the plaintiff court costs in the amount of 4 thou., representing the fee for carrying out the expertise in the accounting-tax specialty, proportional to the admission of the request. With the right of appeal within 15 days from the communication, the appeal request to be submitted to the Bucharest Court of Appeal. Decision no. 382/20.10.2020.

The parties appealed in March 2022.

At the meeting on 24.05.2022, the CAB rejects as unfounded the request for clarification and completion of the device. Accept the request to correct the material error in the sense that the sums of money as main and accessory tax obligations, related to the 349 tax invoices, as they appear in the contested taxation decision, will be mentioned as correct. Orders the correction of the material error in the sense of removing the wrong name of the plaintiff from the content of the appealed sentence. With recourse within 15 days of communication.

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

The company is involved in adversarial litigation with SMART and Teletrans Subsidiaries as follows:

I. Disputes in contradiction with Subsidiary SMART SA

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

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

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

File stage: Rejects the summons request as unfounded. With the right of appeal within 30 days from the communication, the appeal request to be submitted to the Bucharest Court - Civil Section VI. Pronounced by making the solution available to the parties through the court registry. Document: Decision 741/12.04.2022. Transelectrica declared appeal, which was rejected on 31.10.2022, the solution being final.

Remarks about the circumstances that initiated the proceedings:

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

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

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

File object:

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

File stage:

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

CAB solution 10.05.2022: Rejects the appeal as unfounded.

Transelectrica declared an appeal on 16.06.2022, which is in the filter procedure at the ICCJ.

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

File object:

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

File stage:

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

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

SMART SA has appealed to the ICCJ. Solution on 11.10.2022: The appeal declared by the appellant-plaintiff SMART SA against civil decision no. 247 A of February 11, 2022 was cancelled, pronounced by the Bucharest Court of Appeal – Civil Section VI. Final.

- **File no. 51633/299/2021 - Bucharest Tribunal**

File object:

SMART SA requested the obligation of Transelectrica to pay the amount of 118 thousand + VAT, representing "expenses with assistance services, engaged on the account of the Company as well as the payment of unrealized benefits (legal interest).

File stage:

Solution of the Court District 3 Bucharest: Rejects, as unfounded, the request. With right of appeal within 30 days of communication. Document: Decision 6134/2022 21.06.2022.

On 02.11.2022 SMART SA filed an appeal against the Civil Sentence no. 6134/21.06.2022 pronounced by the Bucharest District Court 3.

- **File no. 15561/3/2022 - Bucharest Tribunal**

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File object:

SMART SA requested the obligation of Transelectrica to pay the sum of 4,47 mil regarding the execution of an administrative contract.

File stage:

A trial date was set in court on **23.03.2023**.

II. Disputes in contradiction with Subsidiary TELETRANS SA

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

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

File object:

By its summons Teletrans SA requested the court:

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

File stage:

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

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

Hearing term: 18.08.2021. Settlement in brief: The objection of inadmissibility of the appeal was allowed. The appeal was dismissed as inadmissible. From the date of communication of the present decision, reported to the provisions of art. 457 paragraph 3 of the Code of Civil Procedure, the term for the exercise of the appeal begins to run. Final. Document: Decision no. 1214 / 06.09.2021.

Teletrans filed an appeal which was rejected as inadmissible at the ICCJ on 07.03.2023.

Remarks about the circumstances that led to the dispute:

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

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

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

➤ **OTHERS**

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

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Arelco Energy SRL, Inversolar Energy SA, Opcom, Menarom PEC SA Galati and others).

The Group registered allowances for value losses from clients and other disputed trade receivables, as well as for clients under bankruptcy.

At the same time the Company is involved into disputes with former Directorate and Supervisory Board members pertaining to their mandate contracts concluded by the Company with them. The Company has constituted provision for these disputes.

➤ **Control to the Subsidiaries**

• **SMART SA**

Romania's Court of Audit – Follow up

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

NAFA-DGAMC

On 19.10.2022, the partial tax inspection began, with the objectives - checking the legality and compliance of tax declarations and/or operations relevant to the tax inspection, the correctness and accuracy of the fulfillment of obligations in relation to the establishment of tax bases and main tax obligations looking:

- Value added tax in the period 01/01/2017-31/12/2021
- Income tax during 01/01/2017-31/12/2021
- Verification of compliance with the provisions of fiscal and accounting legislation;
- Verification of other issues relevant to taxation, if they are of interest for the application of accounting tax legislation.

The NAFA control was completed by issuing minutes no. 344 of 12.10.2022.

➤ **Guarantees**

On December 31, 2022 and December 31, 2021, the guarantees are as follows:

	31 december 2022	31 december 2021
Guarantees granted, of which:	624,377	346,250
- letters of guarantee issued – production	152,870	86,625
- letters of guarantee issued – investments	64,007	84,625
- other guarantees granted	407,500	175,000
Guarantees received, of which:	827,377	668,520
- letters of guarantee received – production	388,086	257,095
- letters of guarantee received – investments	390,981	363,100
- other guarantees received	48,310	48,326

Granted guarantees

The company is obliged according to License no. 161/2000 for the provision of the electric energy transmission service, the system service and for the administration of the balancing market, granted by the Decision of the President of ANRE no. 865/22.12.2000, with subsequent amendments and additions, to establish and maintain a financial guarantee of 1% of the turnover associated with the activities authorized by the license, related to the last completed financial year, which ensures the continuous provision of the activities that are the subject of the license, taking into account the major risks that may affect these activities and to cover the possible damages requested according to the concluded contractual provisions. In order to comply with this obligation, the Company concluded on 01.02.2022 a credit agreement with Banca Comercială Română with the object of granting a threshold for the issuance of letters of bank guarantee in the amount of 23,268,228 valid for the period 01.01.2022- 31.12.2022.

On 24.11.2022, it was concluded addendum no. 1 to the credit agreement concluded with Banca

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Comercială Română with the object of granting a threshold for the issuance of bank guarantee letters by which the value of the threshold was increased to the amount of 37,026,292 and the validity was extended until 31.12.2023.

The other guarantees granted are mainly represented by letters of bank guarantee issued for the contracts concluded on the centralized markets managed by OPCOM – the Centralized Market of Bilateral Electric Energy Contracts through extended tender (PCCB-LE), the Day-Ahead Market (PZU) and The Intraday Market (IP), as well as commitments/guarantees granted related to ongoing loan contracts for investment activity.

Other guarantees granted represent the contracts assigned to guarantee the credit lines contracted for the cogeneration support scheme and for working capital.

Received Guarantees

The guarantees received are mainly represented by bank guarantee letters of payment related to contracts concluded on the electric energy market, performance bonds, advance/performance guarantee letters related to investment contracts and other guarantees received within the contracts financed from the connection tariff.

e) *Revaluation reserves on December 31, 2022*

On December 31, 2022, re-assessment reserves amount to 734,233 (on December 31, 2021: 801,800).

Starting from May 1, 2009, reserves from the re-assessment of fixed assets, including land, carried out after January 1, 2004, which are deducted in the calculation of taxable profit by means of fiscal depreciation or expenses related to assets sold and/or scrapped, are taxed simultaneously with the deduction of fiscal depreciation, respectively at the time of the removal from management of these fixed assets, as the case may be.

The reserves made are taxable in the future, in the event of a change in the destination of the reserves in any form, in case of liquidation, merger of the company, including its use to cover accounting losses, with the exception of the transfer, after May 1, 2009, of the reserves mentioned in the previous paragraph.

f) *Tariff for electric energy transmission service and system service*

The electric energy transmission tariff is set based on a "revenue ceiling" regulatory methodology. With this, ANRE establishes an initial annual target income calculated by summing up the regulated costs and the regulated return on recognized assets. Certain costs included in the regulated cost base are subject to efficiency requirements that limit the level of expenses that can be recovered through the regulated tariff (controllable operating and maintenance expenses, own technological consumption). The series of annual target revenues calculated for a regulatory period is reprofiled through a linearization procedure in order to mitigate possible large increases/decreases in revenue from one tariff year to the next. The income thus reprofiled is adjusted annually with the consumer price index. Certain changes in the pricing mechanism may have a significant impact on the recovery of regulated depreciation of fixed assets included in the regulated asset base.

The year 2022 is the third in the series of five consecutive years that form the fourth period of multi-annual tariff regulation for the electric energy transmission activity (January 1, 2020 – December 31, 2024). The main coordinates of this regulatory period were established by ANRE based on the specific regulatory framework, respectively the methodology for establishing the tariff for the electric energy transmission activity. Compared to the previous forms of the methodology on the basis of which the tariffs were established in the previous regulatory period (July 1, 2014 – June 30, 2019) and in the transition period from the previous regulatory period to the current regulatory period (July 1, 2019 – December 31, 2019), the methodology applicable to setting tariffs in the fourth regulatory period has not undergone substantial changes.

Regarding the fundamental aspects of the methodology (the main elements that make up the regulated income and how it is created, the recovery of operating costs, the recovery and remuneration of the capital invested in regulated assets, the presence and nature of the incentive elements, the method of collecting the regulated income) , they remained unchanged ensuring the continuity and predictability of the regulatory framework. Detailed tariff settings for the entire current multi-year regulatory period were initially set during 2019.

During 2020, in accordance with the applicable methodology, a review of the previously approved period coordinates took place. This review was also necessary in view of the change in the tariff configuration in the sense of merging the tariff for the transmission activity with the tariff related to the functional services

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

component within the system services activity. The merging of the two mentioned tariffs took place through the absorption in the transport tariff of the tariff related to the functional services component within the system services activity. Thus, it was necessary to review the initial starting settings (Regulated Asset Base) and cost scheduling approved for the regulatory period horizon, to include the assets and costs related to the system functional services activity in the starting settings and in the multi-year programming of the period the fourth regulation. Previously, the programming of the costs related to the activity of system functional services was reviewed and established annually when the tariff for system functional services was approved, the previous methodology did not provide for the establishment and approval of a multi-annual programming for these costs.

In addition to the merging of the two mentioned tariffs, presented above, in the process of reviewing the coordinates of the regulatory period, certain elements initially approved for the transmission activity, such as the investment plan (slightly revised downwards to correct a technical error produced at the initial establishment of programming – the program values were initially reported in nominal terms, for the purpose of programming it is necessary to adjust the initially reported values by extracting the estimated inflation for the regulatory period), the value of the Regulated Asset Base on January 1, 2020 (reviewed based on actual investments achieved in the second half of 2019), the starting point and the imposed efficiency slope for controllable operating and maintenance costs subject to efficiency (the starting point was reviewed by including in the multi-year historical average the costs achieved in the second half of 2019 and by elimination from the multi-year historical average of certain costs that were reclassified as uncontrollable costs in the fourth regulatory period, the efficiency slope was reduced from 1.5% to 1.0%), the forecast price for the purchase of electric energy to cover technical losses in the transmission grid (reviewed by indexing with inflation achieved in the second semester of 2019).

In the context of the significant increase in electric energy prices on the wholesale markets starting from the summer of 2021, a series of measures have been implemented at the level of the legislative and regulatory framework with the aim of mitigating the significant impact of this evolution on the costs borne by the operators of public transmission and distribution grids of electric energy with the purchase from the wholesale market of the energy needed to cover own technological consumption in grids:

- in accordance with the regulatory framework issued by ANRE, when establishing the transmission tariff that entered into force on January 1, 2022, the revenue component included in the tariff intended to cover the costs of purchasing energy to cover own technological consumption in the transmission grid was increased, compared to the value initially established for the year 2022 within the multiannual programming of costs for the regulatory period 2020-2024;
- in accordance with the legislative framework (Emergency Governmental Ordinance no. 27/2022), on April 1, 2022, an additional increase in the transmission tariff was applied. This increase in the tariff had the role of ensuring the recovery by the Company of the deficit recorded in 2021 between the income included in the tariff and the real cost of electric energy purchased from the wholesale market to cover its own technological consumption in the transmission grid. This measure brought forward the deficit recovery process from 2021, which according to ANRE regulations would have been achieved a year later, namely in 2023;
- in accordance with the legislative framework (Emergency Governmental Ordinance no. 119/2022), the measure of capitalization of additional costs with own technological consumption, respectively of the difference between the achieved cost and the cost included in the transmission tariff, was introduced. The recovery through the transmission tariff of this difference is to be carried out in stages over a period of five years. The capitalization measure was established for the period January 1, 2022 - August 30, 2023. For the difference capitalized in 2022, the recovery through the transmission tariff will be achieved in the period 2023-2027.

The cumulative effect of the measures mentioned above was to balance the Company's revenues and costs, in the conditions of the significant increase in the costs of its own technological consumption in the context of the large increase in electric energy prices on the wholesale markets. At the same time, the two increases in the transmission tariff, applied on 1 January and 1 April 2022, also contributed to reducing the pressure that the increased costs exerted on cash flows.

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- **Transmission tariff (transmission tariff + system functional service)**

	MU	Tariff applied January 01 – March 31, 2022 (approved by the ANRE Order no. 124/2021)	Tariff applied April 01, 2022 – March 31, 2023 (approved by the ANRE Order no. 33/2022)
Average tariff for the electric energy transmission service, of which:	lei/MWh	23.96	28.10
Transmission tariff – component to introduce electric energy in the grid	lei/MWh	1.49	2.53
Transmission tariff – component to extract electric energy from the grid	lei/MWh	22.47	25.57

- **Tariff related to the system service**

	MU	Tariff applied January 01 – March 31, 2022 (approved by the ANRE Order no. 124/2021)
System service	lei/MWh	9.32

➤ **Contingencies**

On December 31, 2022, the contingent liabilities amount to 36,303. These are related to litigations that have as their object claims representing additional costs following the increase of the minimum wage in the field of construction for investment contracts.

- *File no. 20780/3/2020 - plaintiff ENERGO MONTAJ SA (7,092)*

The object of the file is represented by claims representing additional costs related to the increase of the minimum wage in the field of construction and the obligation to conclude an addendum to contract C54/2018.

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

After several postponements of the trial dates due to the lack of the expertise report, the next trial date was set for 20.04.2022.

At the meeting on 20.04.2022, TMB accepts the request to cancel the judicial expertise report made by the plaintiff ELECTROMONTAJ SA. Orders the annulment of the forensic technical expertise report in the accounting specialty drawn up by expert Mrs. OPRESCU RUXANDRA and the performance of a new expertise with the objectives:

- to determine the additional costs borne by the plaintiff ELECTROMONTAJ SA as a result of the increase of the minimum wage in the field of constructions to the amount of 3,000 RON/month for the works carried out pursuant to works contract no. C54 of 27.02.2018 during January 2019 - January 2021;

- to determine the additional costs generated by the increase of the minimum wage in the field of construction to the amount of 3,000 RON/month for the works that will be carried out under the works contract no. C54 of 27.02.2018, starting from February 2021 until the completion of the works.

Established a trial date on 15.09.2022.

On 15.09.2022, the Bucharest Court of Appeal postpones the case to 24.11.2022, the solution: due to the lack of the expertise report. Postpone the pronouncement to 03.03.2023.

At the trial date of 03.03.2023, short solution: rejects the objections to the accounting expert's report formulated by the defendant NPG TRANSELECTRICA, as unfounded. Put the case back on the docket. Grants a trial date of **23.03.2023**.

- *File no. 25896/3/2020 - plaintiff Electromontaj Bucharest (10,000)*

The subject of the file is represented by claims representing additional costs related to the increase of the minimum wage in the field of constructions for the investment contract C229/2015 - Transition to 400 kV voltage of the Portile de Fier - Resita - Timisoara - Sacalaz - Arad / LEA 400 kV Portile de Fier (Anina) – Resita.

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

Trial date: 25.08.2022 - submission of expertise report.

At the trial date on 25.08.2022, the ruling was postponed until 13.09.2022. On 13.09.2022, TMB rejects the objections to the accounting expertise report formulated by the defendant, as unfounded. Admits the objections to the accounting expertise report formulated by the plaintiff. An address will be issued to the expert Cojocaru Mihaela with the observation of answering the objections and submitting the answer to the file. With appeal on the merits.

Considering the lack of the expert report, at the trial date of 07.02.2023, the case is postponed to **04.04.2023**, for the submission of the expert report.

- *File no. 27001/3/2021 – plaintiff Romelectro (3,523)*

The object of the file is represented by claims representing additional costs related to the increase of the minimum wage in the field of construction for the investment contract C264/2017 - Modernization of the 110 kV Bacău Sud and Roman Nord stations related to the 400 kV Moldova axis.

At the trial date on 09.09.2022, another trial date is established on 16.12.2022, for the continuation of the trial.

Considering the lack of the expert report, at the trial date of 03.03.2023, the case is postponed to **28.04.2023**, for the submission of the expert report.

- *File no. 22368/3/2021 – plaintiff Romelectro (2,275)*

The object of the file is represented by claims representing additional costs related to the increase in the minimum wage in the field of construction for the investment contract C260/2017 - Modernization of the 110 and 400(220) kV installations in the Focșani Vest station.

At the trial date on June 24, 2022, rejects the sue petition as unfounded. With appeal within 10 days of communication. The appeal petition is submitted to the Bucharest Court - VI Civil Section. Document: Decision no. 1555/2022.

- *File no. 30801/3/2021 – plaintiff Romelectro (2,271)*

The object of the file is represented by claims representing additional costs related to the increase of the minimum wage in the field of construction for the investment contract C145/2018 - Refurbishment of the 110 kV Medgidia Sud station.

At the meeting on 20.04.2022, the TMB solution is: "Approves the test with accounting expertise having the following objectives:

- for the expert to specify whether Romelectro fulfills the condition provided by art. 66 of Emergency Governmental Ordinance 114/2018, respectively if 80% of Romelectro's turnover is achieved from construction works, both in the year before the reference period (2018) and in the reference period (2019);

- for the expert to calculate the difference in cost generated by the increase in the salaries of the human resources effectively used by Romelectro in carrying out the work related to Contract no. C145/2018, in the reference period and in the first two months before it, respectively:

a) To specify for each employee (actually used human resource) whether he/she had a gross salary of less than 3000 RON/month or more in the months of November and December 2018;

b) When the human resources salary was increased to 3000 RON/month;

c) What is the difference between the previous salary and the salary imposed by the Emergency Governmental Ordinance no. 114/2018;

d) If in the interval 01.11.2018 – 31.12.2018, Romelectro reduced the salaries of the human resources used;

e) To specify what is the real, cumulative cost difference related to the salary of the human resource used by Romelectro in the actual performance of the works that are the subject of Contract no. C145/2018, for the reference period.

- for the expert to determine, based on the analytical estimates, what is the percentage, respectively the amount by which Transelectrica must adjust the price of Contract no. C145/2018 for the work related to the works remaining to be executed on 01.01.2019, as a result of the legislative changes instituted by the

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Emergency Governmental Ordinance no. 114/2018 in the sense of increasing the minimum wage in the field of construction to the amount of 3000 RON/month;

- for the expert to determine the days/months of delay recorded in the execution of works related to Works Contract no. C145/2018 as a result of the financing problems faced by Romelectro S.A. as a result of Transelectrica's refusal to pay the price at the adjusted value, respectively how the non-adjustment of the Contract price by Transelectrica influenced the execution schedule as a result of the legislative changes instituted by the Emergency Governmental Ordinance 114/2018 in the sense of increasing the minimum wage in the field of construction to the amount of 3000 RON/month.

Set a trial date for April 29, 2022, 09:00, when the parties will be summoned. At the trial date on April 29, 2022, the case is adjourned for the administration of evidence and a trial date of October 14, 2022 is established.

At the trial date on 14.10.2022, the solution in short: Due to the lack of the expertise report, postpones the case and establishes a trial date on 07.04.2023.

- *File no. 37332/3/2021 – plaintiff Romelectro (4,433)*

The object of the file is represented by claims representing claims - Emergency Governmental Ordinance 114/2018 for the contract of C112/2019 - Refurbishment of the 110kv station of the axis Portile de Fier - Anina-Reșita-Timișoara-Săcălaz-Arad- 400Kv Timișoara station.

At the trial date on June 22, 2022, the Bucharest Court accepts the non-stamping exception. Cancels the petition as unstamped. With appeal within 10 days of communication.

- *File no. 8193/3/2022 – plaintiff Tempos Sev (2,437)*

The object of the file is represented by claims representing claims - Emergency Governmental Ordinance 114/2018 for the contract of C80/2018 - Refurbishment of the 220/110kv Hășdat station.

At the trial date on June 10, 2022, the case is postponed to October 14, 2022. At the trial date on 14.10.2022, the ruling was postponed to 21.10.2022. Solution: "According to art. 258 and art. 255 Civil Procedure Code, approves for both parties the evidence with documents and for the defendant also approves the evidence with the plaintiff's interrogation and with the accounting expertise. Establishes that the accounting expertise shall have the objectives indicated by the defendant in the statement of defense, to which will be added the additional ones indicated by it, through the Evidence Note submitted at the trial date on 14.10.2022, as well as the objectives indicated by the plaintiff through the Meeting Notes submitted at the same trial date. Notifies the plaintiff to submit to the file the documents requested by the defendant through the Evidence Note of 14.10.2022. Notifies the plaintiff to submit to the file the answer to the interrogation that was communicated together with the statement of defense, under the signature of the legal representative, under the penalty of applying the provisions of art. 358 Civil Procedure Code. Pronounced today, 21.10.2022, by making the solution available to the parties by the court registry."

Considering the lack of the expert report, at the trial date of 10.03.2023, the case is postponed to **05.05.2023**.

- *File no. 8440/3/2022 – plaintiff Tempos Sev (2,437)*

The object of the file is represented by claims representing claims - Emergency Governmental Ordinance 114/2018 for the contract of C80/2018 - Refurbishment of the 220/110kv Hășdat station.

At the trial date on 13.09.2022, the case was postponed to 08.11.2022, in order to present the approved evidence.

At the trial date of 08.11.2022, short solution: "Based on art. 242 para. 1 of the Civil Procedure Code, suspends the judgment of the case. With the right to file a request for reinstatement and appeal, for the entire duration of the suspension. The request for appeal is submitted to the Bucharest Court - VI Civil Section, under penalty of nullity. Document: Termination - Suspension 08.11.2022".

- *File no. 8442/3/2022 – plaintiff Tempos Sev (1,429)*

The object of the file is represented by the execution of the administrative contract for the contract C80/2018 – Refurbishment of the 220/110kV Hășdat station.

At the trial date on 16.09.2022, the connection exception is allowed. Sends the file to the first vested panel, with the resolution of file no. 8193/3/2022, respectively the panel 12 Merits, in order to connect file no. 8442/3/2022 to file no. 8193/3/2022. With appeal together with the merits. Pronounced, today,

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16.09.2022, by making the solution available to the parties by the court registry. Document: Final conclusion (disinvestment) 16.09.2022

- *File no. 527/1285/2021 – plaintiff ELM Electromontaj Cluj (402)*

The object of the file is represented by claims representing claims - Emergency Governmental Ordinance 114/2018 for the contract of C4/6882/21.01.2019 - Modernization of the Vetis station.

Solution of the Cluj Court: "Admits the sue petition filed by the plaintiff ELM ELECTROMONTAJ CLUJ S.A., contrary to the defendant C.N.T.E.E. "TRANSELECTRICA" S.A. Obliges the defendant to conclude with the plaintiff an addendum 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 national gross minimum basic salary guaranteed in payment for the field of constructions, by art. 71 of the Emergency Governmental Ordinance no. 114/2018, according to the settled works situations starting from May 2020 and until the completion of the works related to the contract. It obliges the defendant to pay, in favor of the plaintiff, the amount of 402,273.61 RON (excluding VAT), representing the difference between the costs of the labor offered and the costs of the labor executed and accepted based on the Works Contract no. C4/6882/21.01.2019, related to the statements of works drawn up for the period May 2020 - May 31, 2021, as well as further, in the same way, for the payment of the differences between the costs of the work bidden and the costs of the work performed and accepted until the taking-over at the completion of the works. Obliges the defendant to pay, in favor of the plaintiff, the amount of 13,666.70 RON representing de;ay penalties of 0.02%/day, calculated on the main debit from the due date until 31.05.2021, as well as to pay the penalties of delay calculated further until the full payment of the main debit. It obliges the defendant to pay, in favor of the plaintiff, the amount of 8,436.06 lei, representing court costs, respectively court stamp duty. With the right of appeal within 10 days from the communication, the appeal petition to be submitted to the Specialized Court of Cuj. Pronounced by making the solution available to the parties through the mediation of the court registry, today, October 22, 2021."

The company filed an appeal.

All the values in the files that have as their object claims representing additional costs requested by the plaintiffs and that are the subject of work execution contracts, will be reflected in the value of the investments, if they will be settled in court and invoiced by the respective partners, with the exception of trial expenses and of the penalties established by the court.

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

Starting from 06.09.2022, the control action from the Ministry of Finance - General Directorate of Economic and Financial Inspection was resumed at the Company's headquarters. This control action was initiated based on 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-financial inspection are presented below:

- ✓ verification of compliance with the provisions of the Governmental Ordinance no. 26/2013 regarding the strengthening of financial discipline at the level of economic operators in which the state or administrative-territorial units are sole or majority shareholders or directly or indirectly hold a major share, for the period 2012 – 2016;
- ✓ verification of compliance with the provisions of the Emergency Governmental Ordinance no. 109/2011 on the corporate governance of public enterprises, for the period 2020 – now;
- ✓ verification of compliance with the provisions of the Emergency Governmental Ordinance no. 64/2001 regarding the distribution of profit to national companies, national companies and commercial companies with full or majority state capital, as well as to autonomous directorates, for the period 2012 – 2016;
- ✓ verification of compliance with the provisions of the Governmental Decision no. 57/2019 regarding the Administrative Code, for the period 2020 – now;
- ✓ verification of compliance with the provisions of the Emergency Governmental Ordinance no. 119/1999 regarding internal/managerial control and preventive financial control, for the period 2020 – now.

On 29.12.2022, by drawing up a unilateral note, the economic-financial inspection action was concluded. There were no deviations found and implicitly no measures.

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

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Currently, there are pending litigations with the Board of Audit of Romania, regarding controls carried out in 2013, 2017 and 2020, presented in detail in the Litigation chapter.

Taking into account the findings of the Board of Audit recorded in the Decisions issued by it following the controls carried out in the financial statements concluded quarterly, semi-annually and annually, it is specified that there may be the possibility of additional tax obligations to be paid, but which, at the present date, cannot be accurately determined under the conditions provided by the IAS 37 Standard - Provisions, contingent liabilities and contingent assets.

30. AFFILIATED PARTIES**i) Affiliated parties – main economic-financial indicators achieved by Company Subsidiaries 31.12.2021**

The main economic-financial indicators achieved by the Company's subsidiaries on December 31, 2021 (the last financial year for which the subsidiaries' financial statements were approved) are as follows:

Indicators	OPCOM	FORMENERG	ICEMENERG SERVICE
Turnover	41,152	1,831	9
Gross profit/loss	11,153	(2,444)	(28,800)
Subscribed share capital	31,366	1,948	493
Unsubscribed share capital	-	-	-
Reserves	9,011	250	13
Total shareholders' equities	47,072	3,491	(28,037)

ii) Affiliated parties – transactions with Company-owned Subsidiaries

As of December 31, 2022 and December 31, 2021, the balances with the subsidiaries owned by the Company are detailed as follows:

Affiliated entity	Trade receivables		Trade liabilities	
	31 december 2022	31 december 2021	31 december 2022	31 december 2021
FORMENERG SA	-	-	-	-
OPCOM SA	654,372	634,764	647,260	627,502
TOTAL	654,372	634,764	647,260	627,502

Transactions carried out in 2022 and 2021 with its subsidiaries are detailed as follows:

Affiliated entity	Sales		Procurements	
	31 december 2022	31 december 2021	31 december 2022	31 december 2021
FORMENERG SA	-	-	39	-
OPCOM SA	6,971,351	2,257,962	2,069,010	1,171,196
TOTAL	6,971,351	2,257,962	2,069,049	1,171,196

In 2022, the Company collected dividends from OPCOM and TELETRANS subsidiaries, amounting to 1.532.

iii) Affiliated parties – transactions with other state-owned companies

As presented in Note 1 ("Legislative environment"), the Company's activities are regulated by ANRE. At the same time, as shown in Note 3 (b), in accordance with the Concession Agreement, an annual royalty is paid, calculated as 4/1000 of the value of the gross revenues obtained from electric energy transmission and transit operations, through the national systems of transmission, under the public ownership of the state (starting from November 12, 2020).

iv) Affiliated parties – companies where NPG Transelectrica holds participations

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Given that the energy sector is undergoing a process of transformation at the European level, focusing on the transition from a predominantly national model of evolution and development of the energy sector, to a model of integrated and coordinated development at the European level, ensuring a unified development at the continental level but also allowing for adaptation to national specifications while pursuing the legitimate interests of the European states, the Company is affiliated to the following entities:

- TSCNET
- JAO
- SEE RSC

TSCNET (TSCNET Services GmbH)

It has been set up to serve Transmission System Operators (OTSS) in the Central-East-West European region (CORE region) for the coordinated implementation of the European network codes. Membership is achieved by participation in the shareholding of TSCNET through a share purchase transaction in the company.

By Resolution No. 9 of the EGMS of 05 June 2018, the Company's affiliation to the CORE Region Security Coordination Centre, TSCNET, was approved by participating in the share capital with a contribution of EUR 470,500 (1 share - EUR 2,500).

JAO (Joint Allocation Office)

As of 2019, auctions for long-term capacity allocation are coordinated by the JAO, which has been designated as the Single Allocation Platform (SAP) Operator.

Transelectrica has been invited by JAO to become part of its shareholding.

By Resolution no.10 of the EGMS of 20 August 2018, the Company was approved to join the Joint Allocation Office (JAO) shareholding with a cash subscription in the amount of EUR259,325 and 50 shares were allocated to it.

SEE RSC (South East Europe Grid Coordination Centre)

Through the Romania - Bulgaria border, Romania is part of the South-East Europe ("SEE") coordinated cross-border transfer capability region. In terms of regional operational security coordination services, this region will be served by a separate legal entity which will act as a regional operational security coordination centre (hereinafter referred to as SEE RSC).

The Company's affiliation to the SEE RSC shareholding became effective as of 22.05.2020 with a cash subscription in the amount of EUR50,000, with 50,000 shares allocated to it.

On 25 February 2022, the Extraordinary General Meeting of Shareholders approved the exit of the Company from the shareholding of Selene CC, with full recovery of the capital invested by the Company in this company to date (EUR50,000). On 07.02.2023 by repaying the value of the shares held, the Company effectively exited this association.

31. REMUNERATION OF THE MANAGEMENT OF THE COMPANY

The salaries paid to employees with Individual Employment Contracts (CIM) in management positions for the services provided are mainly composed of the basic salary, benefits at the end of the employment contract and post-employment, as well as the fixed component and the variable component for the members of the Directorate and the Supervisory Board.

These are detailed as follows:

	<u>31 december 2022</u>	<u>31 december 2021</u>
<u>Employees under Individual contract in managerial positions</u>		
Short-term benefits	26,232	25,181
Other long-term benefits	390	246
<u>Directorate and Supervisory Board members</u>	-	
Fixed component	4,990	3,975
Variable component	-	-
Total	<u>31,612</u>	<u>29,402</u>

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By Decision no. 8 of the Ordinary General Meeting of the Shareholders of Compania Naționala de Transport al Energiei Electrice "Transelectrica" - S.A. from December 14, 2021, the appointment of Supervisory Board members was approved for a period of 4 months starting from December 22, 2021.

By Decision no. 3 of the Ordinary General Meeting of the Shareholders of Compania Naționala de Transport al Energiei Electrice "Transelectrica" - S.A. from April 18, 2022, the appointment of the members of the Supervisory Board was approved for a period of 4 months starting from April 22, 2022, as well as the establishment of the remuneration.

By Decision no. 6 of the Ordinary General Meeting of the Shareholders of Compania Naționala de Transport al Energiei Electrice "Transelectrica" - S.A. from August 18, 2022, the appointment of the members of the Supervisory Board was approved for a period of 4 months starting from August 22, 2022, as well as the establishment of the remuneration.

By Decision no. 10 of the Ordinary General Meeting of the Shareholders of Compania Naționala de Transport al Energiei Electrice "Transelectrica" - S.A. from December 15, 2022, the appointment of the members of the Supervisory Board was approved for a period of 4 months starting from December 22, 2022, as well as the establishment of the remuneration.

Through the Decisions of the Supervisory Board no. 49, 50, 51, 52 and 53 of 22.12.2021, the appointment of the members of the Company's Directorate was approved starting on 25.12.2021, with a duration of 4 months, as well as the establishment of the remuneration.

By Supervisory Board Decision no. 13 of 23.03.2022, the appointment of the members of the Company's Directorate was approved starting on 25.04.2022, with a duration of 2 months.

By Supervisory Board Decision no. 18 of 21.06.2022, the appointment of the members of the Company's Directorate was approved starting on 25.06.2022, with a duration of 4 months.

By Supervisory Board Decision no. 43 of 14.10.2022, the appointment of the members of the Company's Directorate was approved starting on 25.10.2022, with a duration of 2 months, as well as the establishment of the remuneration.

By Supervisory Board Decision no. 53 of 19.12.2022, the appointment of the members of the Company's Directorate was approved starting on 25.12.2022, with a duration of 4 months, as well as the establishment of the remuneration.

32. NON-CONTROLLING INTERESTS

	<u>31 december 2022</u>	<u>31 december 2021</u>
Opening balance 1 january	-	-
Share of loss/profit in the year	-	-
Additional non-controlling interests	-	-
Balance on the end of period	-	-

33. FINANCIAL INSTRUMENTS

Financial Risk Management

The company is exposed to the following risks arising from financial instruments: market risk (interest rate risk and currency risk), credit risk and liquidity risk. The Company's global management focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Company's financial performance. Market risk is the risk that produces changes in market prices, such as currency exchange and interest rate, which will affect the Company's income or the value of holdings of financial instruments.

The company has no formal commitments to combat financial risks. However, financial risks are monitored at management level, focusing on the Company's needs to effectively offset opportunities and threats.

This note presents information regarding the Company's exposure to the aforementioned risks, the objectives, policies and processes related to risk measurement and management, as well as the Company's capital management.

Interest rate risk

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

NPG TRANSELECTRICA SA**Notes to the consolidated financial statements as at December 31, 2022***(All amounts are in thousand LEI, unless stated otherwise)*

The Company's operating cash flows are affected by interest rate fluctuations, primarily as a result of long-term foreign currency loans from external financing banks. The Company has significant long-term variable interest loans with variable interest rates that may expose the Company to cash risk.

The cash risk determined by the interest rate is represented by the risk for the interest and, consequently, the expenses with it, to fluctuate in time.

At the balance sheet date, the ratio between the Company's fixed interest rate and variable interest rate financial instruments is presented below:

	31 december 2022	31 december 2021
Fixed rate instruments		
Financial liabilities	80,219	104,327
Variable rate instruments		
Financial liabilities	73,319	2,707

The cash risk determined by the interest rate is the risk that the interest and, therefore, the expense with it, will fluctuate over time.

Currency risk

The Company may be exposed to currency exchange rate fluctuations through cash and cash equivalents, long-term loans or trade payables expressed in foreign currencies.

The functional currency of the Company is the Romanian leu. The Company is exposed to currency risk on cash and cash equivalents, purchases and loans made in a currency other than the functional currency. The currencies that expose the Company to this risk are mainly EUR, but also USD. Foreign currency loans and foreign currency debts are subsequently expressed in RON, at the exchange rate from the balance sheet date, communicated by the National Bank of Romania. The resulting differences are included in the profit and loss account, but do not affect cash flow until the debt is liquidated.

The Group's exposure to currency risk, expressed in RON, was:

31 December 2022	Amount	RON	EUR	USD
Monetary assets				
Cash and cash equivalents	333,681	267,465	66,201	15
Other financial assets	-	-	-	-
Trade and other receivables	3,342,852	1,962,374	1,380,478	-
Gross exposure	3,676,533	2,229,839	1,446,679	15
Monetary liabilities				
Trade and other liabilities	3,394,642	1,913,454	1,481,188	-
Borrowings	153,538	73,319	80,219	-
Gross exposure	3,548,180	1,986,773	1,561,407	-
Net balance at reporting date	128,353	243,066	(114,728)	15
31 December 2021	Amount	RON	EUR	USD
Monetary assets				
Cash and cash equivalents	264,656	258,138	6,490	27
Other financial assets	-	-	-	-
Trade and other receivables	2,985,893	2,592,514	435,010	-
Gross exposure	3,250,549	2,850,652	441,501	27
Monetary liabilities				
Trade and other liabilities	3,061,286	2,400,468	702,449	-
Borrowings	107,034	2,707	104,327	-
Gross exposure	3,168,321	2,403,175	806,776	-
Net balance at reporting date	82,228	447,477	(365,275)	27

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

NPG TRANSELECTRICA SA**Notes to the consolidated financial statements as at December 31, 2022***(All amounts are in thousand LEI, unless stated otherwise)*

Trade receivables and other receivables, as well as suppliers and other obligations less fixed assets suppliers are expressed only in RON.

The following exchange rates have been applied:

	Average rate		Exchange rate on	
	31 december 2022	31 december 2021	31 december 2022	31 december 2021
RON/ EURO	4,9315	4,9204	4,9474	4,9481
RON/ USD	4,6885	4,1604	4,6346	4,3707

Currency risk sensitivity analysis

A 10% appreciation of the Romanian leu against the following foreign currencies on 31 December 2022 and 31 December 2021 would have increased the gross profit by the amounts indicated below. This analysis assumes that all other variables remain constant.

	Profit 31 december 2022	Profit 31 december 2021
EUR	11,473	36,528
USD	1	3
Total	11,474	36,530

A 10% depreciation of the Romanian leu against the following foreign currencies on 31 December 2022 and 31 December 2021 would have had a similar but opposite effect on the above amounts, assuming that all other variables remained constant.

	Loss 31 december 2022	Loss 31 december 2021
EUR	(11,473)	(36,528)
USD	(1)	(3)
Total	(11,474)	(36,530)

Credit risk

The credit risk is the risk in which the Company incurs a financial loss as a result of the non-fulfillment of contractual obligations by a customer or a counterparty to a financial instrument. This risk mainly results from trade receivables and cash and cash equivalents.

The treatment of counterparty risk is based on the Company's internal and external success factors. The external success factors - which have an effect on systematically reducing the risk are: the decentralization of the energy sector in which production, transmission, distribution and supply are distinct activities, and the interface for the customer is represented by the supplier, the trading of electric energy on the Romanian market on 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 on the electric energy market.

The financial assets that may subject the Company to collection risk are mainly trade receivables and cash and cash equivalents. The company has put into practice a series of policies that ensure that the sale of services is carried out to customers with a corresponding collection, by including in commercial contracts their obligation to constitute financial guarantees. The value of receivables, net of adjustments for value losses, represents the maximum amount exposed to collection risk.

The collection risk related to these receivables is limited, as these amounts are mainly owed by state-owned companies.

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

NPG TRANSELECTRICA SA

Notes to the consolidated financial statements as at December 31, 2022

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

	Net value	Net value
	31 december 2022	31 december 2021
Financial assets		
Net trade receivables	2,259,432	2,035,239
Net other receivables and down payments to suppliers	791,154	264,656
VAT to recover	292,265	828,116
Cash and cash equivalents	333,681	122,538
Other financial assets	-	-
Total	3,676,533	3,250,548

The situation of the due date of the receivables on the date of drawing up the statement of the financial position was:

	Gross value	Adjustment of	Gross value	Adjustment of
	31 december	depreciation 31	31 december	depreciation 31
	2022	december 2022	2021	december 2021
Not reached to maturity	2,167,294	439	1,917,696	43
Due date exceeded 1 – 30 days	149	3	22,662	-
Due date exceeded 31 – 90 days	303	6	(322)	-
Due date exceeded 90 – 180 days	45	7	13,124	12,541
Due date exceeded 180 – 270 days	451	450	103	23
Due date exceeded 270 – 365 days	188	182	643	85
More than a year	229,514	137,427	231,891	137,867
Total	2,397,945	138,513	2,185,798	150,558

The due date status of other receivables on the date of the statement of financial position was:

	Gross value	Adjustment of	Gross value	Adjustment of
	31 december	depreciation 31	31 december	depreciation 31
	2022	december 2022	2021	december 2021
Not reached to maturity	1,052,210	35	917,479	8,469
Due date exceeded 1 – 30 days	258	-	208	-
Due date exceeded 31 – 90 days	605	-	11,542	2,108
Due date exceeded 90 – 180 days	2,507	243	1,777	484
Due date exceeded 180 – 270 days	1,708	171	1,205	482
Due date exceeded 270 – 365 days	10,098	9,403	3,864	970
More than a year	92,953	67,068	85,566	58,474
Total	1,160,339	76,919	1,021,641	70,987

Group's policy is to record depreciation adjustments for loss of value in the amount of 100% for litigious, insolvent and bankrupt customers and 100% of trade and other receivables not collected in a period of more than 180 days, except outstanding claims generated by the bonus support scheme. The Company also performs an individual analysis of trade receivables and other uncollected receivables.

The largest depreciation adjustments on December 31, 2022, calculated for trade receivables and related penalties, were recorded for CET Govora (25,077), Eco Energy SRL (24,736), Petprod SRL (23,540), Arelco Power (14,788), Total Electric Oltenia SA (14,186), Romenergy Industry (13,513), Romelectro SA (13,429), Elsaco Energy (9,276), RAAN (8,517), Next Energy Partners SRL (8,395).

In order to recover the receivables adjusted for depreciation, the Company took measures to sue, registration in the statement of affairs, etc.

The evolution of **Adjustments for impairment of uncertain trade receivables** is as follows:

	31 december 2022	31 december 2021
Opening balance 1 january	150,558	138,494
Recognition of adjustments for impairment	2,756	16,673
Reversal of adjustments for impairment	14,801	4,609
Balance on the end of period	138,513	150,558

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

NPG TRANSELECTRICA SA

Notes to the consolidated financial statements as at December 31, 2022

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

The evolution of **Adjustments for impairment of other uncertain receivables** is as follows:

	<u>31 december 2022</u>	<u>31 december 2021</u>
Opening balance 1 january	70,987	60,019
Recognition of adjustments for impairment	11,555	15,335
Reversal of adjustments for impairment	5,623	4,367
Balance on the end of period	76,919	70,987

Liquidity risk

Liquidity risk is the risk according to which the Company will encounter difficulties in meeting the obligations associated with financial debts that are settled in cash or through the transfer of another financial asset.

A prudent liquidity risk management policy involves maintaining sufficient cash and cash equivalents, availability of financing through adequate credit facilities.

	<u>31 december 2022</u>	<u>31 december 2021</u>
Assets		
Monetary assets in RON	2,229,839	2,850,652
Monetary assets in foreign currency	1,446,694	441,527
	3,676,533	3,292,180
Debts		
Monetary liabilities in RON	(1,986,773)	(2,403,175)
Monetary liabilities in foreign currency	(1,561,407)	(806,776)
	(3,548,180)	(3,209,952)
Net monetary position in RON	243,066	447,477
Net monetary position in foreign currency	(114,714)	(365,249)

The following table shows the contractual maturity of financial liabilities, including interest payments:

31 december 2022	Net value	Contractual value	<12 months	1–2 years	2–5 years	>5 years
Financial liabilities						
Trade and other liabilities	3,377,265	3,377,275	3,324,508	46,386	6,344	26
Other tax and social security liabilities	17,377	17,377	17,377	-	-	-
Borrowings	153,538	153,538	97,950	23,856	31,256	476
Total	3,548,180	3,548,190	3,473,396	70,242	37,600	502
31 december 2021	Net value	Contractual value	<12 months	1–2 years	2–5 years	>5 years
Financial liabilities						
Trade and other liabilities	3,040,759	3,082,400	2,993,292	82,893	6,205	-
Other tax and social security liabilities	20,527	20,527	20,527	-	-	-
Borrowings	107,034	107,034	27,579	47,719	30,309	1,427
Total	3,168,321	3,209,962	3,041,399	130,611	36,514	1,427

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

NPG TRANSELECTRICA SA**Notes to the consolidated financial statements as at December 31, 2022***(All amounts are in thousand LEI, unless stated otherwise)***Fair value of financial instruments**

Fair value is the value at which the financial instrument can change in ordinary transactions carried out under objective conditions between interested and knowledgeable parties, other than those determined by liquidation or forced sale. Fair values are obtained from quoted market prices or cash flow models, as appropriate. As of December 31, 2022 and December 31, 2021, management believes that the fair values of cash and cash equivalents, trade and other receivables, trade payables, loans, and other short-term liabilities approximate their accounting value. The accounting amount of the loans is the depreciated cost.

31 december 2022	Book value	Fair value
Financial Assets		
Net trade receivables	2,259,432	2,259,432
Cash and cash equivalents	333,681	333,681
Net other receivables and down payments to suppliers	791,154	791,154
VAT to be recovered	292,265	292,265
Other financial assets	-	-
Total	3,676,533	3,676,533
Non-current financial liabilities		
Borrowings, except for bonds	55,588	55,588
Bonds	-	-
Total	55,588	55,588
Current financial liabilities		
Providers, including asset providers	3,366,045	3,366,045
Borrowings	97,950	97,950
Bonds	-	-
Amounts due to employees and other liabilities	28,598	28,598
Total	3,492,592	3,492,592
31 december 2021		
Financial Assets		
Net trade receivables	2,035,239	2,035,239
Cash and cash equivalents	264,656	264,656
Net other receivables and down payments to suppliers	828,116	828,116
VAT to be recovered	122,538	122,538
Other financial assets	-	-
Total	3,250,548	3,250,548
Non-current financial liabilities		
Borrowings, except for bonds	79,455	79,455
Bonds	-	-
Total	79,455	79,455
Current financial liabilities		
Providers, including asset providers	3,040,759	3,040,759
Borrowings	27,579	27,579
Bonds	-	-
Amounts due to employees and other liabilities	34,212	34,212
Total	3,102,550	3,102,550

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

NPG TRANSELECTRICA SA**Notes to the consolidated financial statements as at December 31, 2022***(All amounts are in thousand LEI, unless stated otherwise)***Categories of financial instruments**

	<u>31 december 2022</u>	<u>31 december 2021</u>
Financial Assets		
Cash and cash equivalents	333,681	264,656
Trade and other receivables	<u>3,342,852</u>	<u>2,985,893</u>
Financial liabilities		
Depreciated cost	3,548,180	3,168,321

Personnel risk and salary system

On December 31, 2022, the average age of the Company's staff is high. There is a possibility that in the future, the Company will face a shortage of personnel due to the departure of employees due to natural causes.

Another personnel risk is represented by the possibility of highly skilled employees leaving for private companies, which could offer salary packages and compensation above the level currently offered by the Company.

Capital risk management

The Company's policy is to maintain a strong capital base to maintain investors, creditors and market confidence and also to support future business development.

Indebtedness indicator

	<u>31 december 2022</u>	<u>31 december 2021</u>
Current and long-term borrowings	153,538	107,034
Cash and cash equivalents	(333,681)	(264,656)
Other financial assets	-	-
	(180,143)	(157,621)
Total equity	<u>3,904,692</u>	<u>3,384,861</u>
Indebtedness indicator	<u>1.10</u>	<u>1.15</u>

Indebtedness indicator is calculated taking into account all the group's liabilities over the equity capital.

34. FEES CHARGED BY EACH STATUTORY AUDITOR OR AUDIT COMPANY

The statement of the fees charged by each statutory auditor or audit company for the statutory audit of the annual financial statements and the total fees charged by each statutory auditor or audit company for other insurance services, for tax consulting services and for services other than audit, according to point 38 of Appendix 1 to OMFP no. 2844/2016 with the subsequent amendments and additions, related to the financial year of 2022, are as follows:

- PKF Finconta SRL – Contract no. 467/23.12.2021 - "Financial audit services for the period 2021-2023" which includes the following services:
 - auditing of separate financial statements drawn up in accordance with OMFP no. 2844/2016;
 - auditing of consolidated financial statements prepared in accordance with IFRS adopted by the European Union;
 - issuance of the Report on the compliance of the Annual Report with the separate annual financial statements;
 - issuance of the Report on the conformity of the Consolidated Annual Report with the consolidated annual financial statements;
 - audit services regarding the fulfillment of the financial conditions specified in the loan contracts concluded/to be concluded with Commercial Banks/International Financial Institutions;
 - audit services regarding the fulfillment of the financial conditions specified in the Prospectus/Bond Issuance Program for the financial years;
 - auditing of the revenues obtained from the activity of providing telecommunications networks in order to certify the revenues and the concordance with the accounting records for the determination of the

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

monitoring tariff by the public regulatory authority in the field of electronic communications (ANCOM) according to the applicable legislation (at the date of drawing up this tender book - Decision No. 2892/2007);

- Auditing services of the indicators assumed in the Administration Plan/ Management Component of the Administration Plan for the payment of the rights provided for in the mandate contracts concluded with the members of the Company's Board of Directors and with the members of the Company's Supervisory Board, respectively issuing a Report attesting to the correctness of the calculations of the financial indicators assumed through the Mandate Contracts concluded by the Company with each member of the Directorate and the Supervisory Board of Transelectrica;

- services aimed at analyzing the transactions reported by the Company pursuant to art. 92³ of Law no. 24/2017 regarding the issuers of financial instruments and market operations and the preparation and delivery to the Company of the reports referred to in art. 92³, para. (5) and (6) of Law no. 24/2017 on issuers of financial instruments and market operations;

- Additional reports according to the requirements of art. 94 para. (1) letter b. of Law 24/2017, regarding issuers of financial instruments and market operations, drawn up in accordance with the financial audit standards and the reporting framework defined by the international accounting standards and by the A.S.F. regulations. regarding the operations claimed by the shareholders representing at least 5% of the total voting rights. The additional report prepared by the financial auditor contains all the information related to the operations claimed by the shareholders and is prepared according to Regulation 5/2018 issued by the FSA regarding issuers of financial instruments and market operations.

The fee charged for the financial audit services related to the financial year of 2021 and paid in 2022 is in the amount of 364 RON, to which VAT is added.

35. ENVIRONMENTAL OBJECTIVES

CNTEE Transelectrica SA has implemented an integrated management system for quality, environment, occupational health and safety, through which it effectively manages the environmental aspects related to the electric energy transmission activity, as well as the maintenance and modernization of RET, to prevent pollution and increase the environment performance.

The Company's concern regarding environmental protection is also reflected in the Policy Statement of the integrated management system in the fields of quality, environment, occupational health and safety.

The development strategy has as its fundamental objective the fulfillment of the needs and expectations of its customers and other interested parties, in an Integrated Management System for quality, environment, occupational safety and health, implemented, certified, maintained and continuously improved in accordance with the requirements of the standards SR EN ISO 9001:2015, SR EN ISO 14001:2015 and SR ISO 45001:2018.

In order to achieve this strategy and achieve sustainable success, the Company's management is committed to ensure:

- the operation of the electric power system under the conditions established by the European and national regulations from the primary and secondary legislation, in order to meet the needs and expectations of customers and other interested parties;

- the organizational framework necessary for establishing, analyzing and implementing the objectives of the Integrated Management System for quality, environment, occupational safety and health;

- sustainable development and reduction of the negative impact of RET on the environment by:

- ✓ identification of environmental aspects/risks and associated opportunities,
- ✓ monitoring environmental factors, preventing/combating pollution by using the best available technologies,
- ✓ decontamination, rehabilitation or ecological reconstruction of land surfaces and water surfaces affected by the Company's activities,
- ✓ prevention and reduction of emissions of fluorinated greenhouse gases (GES): SF₆, ozone, freon, etc.,
- ✓ preventing and reducing air pollution by keeping within the permissible limits of the concentration of pollutants emitted into the atmosphere (emissions from thermal power plants and motor vehicles),
- ✓ preventing and reducing water pollution by keeping within the permissible limits of the concentration of pollutants in water,
- ✓ adequate waste management,
- ✓ reducing the risk of collision and electrocution of birds,

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

- ✓ preventing forest fires by maintaining the safety corridor,
- ✓ avoiding the alteration of natural habitats, especially protected natural areas.

At the CNTEE Transelectrica SA level, the Report on the Analysis of the Integrated Manager System is drawn up annually and a program of measures for the continuous improvement of the SMI (including the SMM) is approved).

36. LATER EVENTS

- ***Decision no. 1 of the Extraordinary General Meeting of the Shareholders on January 26, 2023***

Extraordinary General Meeting of the Shareholders on January 26, 2023, approved the amendment, starting from March 1, 2023, of Appendix no. 1 to the Articles of Incorporation, by replacing the terms units, Unit with the terms branches, Branch, respectively Branch, with the mandate of the Directorate to extend the date of entry into force of the amendment, by no more than 30 days, and the mandate of the chairman of the meeting to sign the updated Articles of Incorporation.

According to the press release dated February 20, 2023, the Company's Directorate approves the extension of the date of entry into force of the amendments to the Articles of Incorporation as March 30, 2023.

- ***Contract concluded with the Opcom subsidiary***

According to the information included in the Current Report dated January 10, 2023, the Company concluded a contract with the OPCOM branch in order to purchase electric energy to cover the necessary technological own consumption (CPT) for the year 2023, through the Centralized Electric Energy Purchase Mechanism (MACEE) provided in the Appendix to the Emergency Governmental Ordinance no. 153/2022.

- ***Bilateral meeting with officials of the Government of the Republic of Moldova for cooperation projects in the field of energy interconnection***

On Thursday, January 26, 2023, the Company's representatives received the official delegation from the Republic of Moldova, led by Andrei Spînu, the Deputy Prime Minister and Minister of Infrastructure and Regional Development, in a visit on the topic of strengthening collaboration in the energy field.

During the meeting, the analysis of the opportunity to expand OPCOM (Operator of the Romanian electric energy and natural gas market), a subsidiary of the Company, on the electric energy market of the Republic of Moldova was discussed, thus agreeing the next steps for OPCOM to become the operator of the electric energy market in the Republic of Moldova.

The discussions were attended by Mr. Gabriel Andronache, the president of the Transelectrica Directorate, Mr. Bogdan Toncescu, a member of the Directorate, as well as Mr. Victor Ionescu, the General Manager of OPCOM.

- ***Decision no. 2 and 3 of the Ordinary General Meeting of Shareholders of February 16, 2023***

The Ordinary General Meeting of Shareholders, meeting on February 16, 2023, approved the appointment as provisional members of the Supervisory Board:

- ATANASIU Teodor,
- DASCĂL Cătălin-Andrei,
- ORLANDEA Dumitru Virgil,
- PĂUN Costin-Mihai,
- STERP VINGĂRZAN Gheorghe,
- VASILESCU Alexandru-Cristian,
- ZEZEANU Luminița.

with a duration of the mandate for a period of four months starting on February 22, 2023 and ending on June 21, 2023, approved the fixed allowance of the members but also the form of the mandate contract.

It also approved the formulation of the sue petition against the former members of the Directorate in order to recover the damage in the amount of 237,044 RON, representing compensation of a salary nature/trial expenses.

NPG TRANSELECTRICA SA

Notes to the consolidated financial statements as at December 31, 2022

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

• Decision no. 4 of the Ordinary General Meeting of Shareholders of February 16, 2023

The Ordinary General Meeting of Shareholders on February 28, 2023 approved:

- The Revenue and Expenditure Budget for the year 2023 of the Company, and the estimates for the years 2024 and 2025 as well as

- establishing the Investment Program for the financial year 2023 and the estimates for the years 2024 and 2025.

• Accepting mandates of provisional members and establishing the structure of advisory committees within the Supervisory Board 2023

Provisional members of the Supervisory Board appointed by HAGOA no. 2 of February 16, 2023, respectively:

- ATANASIU Teodor,
- DASCĂL Cătălin - Andrei,
- ORLANDEA Virgil Dumitru,
- PĂUN Costin-Mihai,
- STERP VINGĂRZAN Gheorghe,
- VASILESCU Alexandru-Cristian și
- ZEZEANU Luminița

signed, in front of the notary public, the statement of acceptance of mandates, thus, the mandates of all provisional members of the Supervisory Board appointed on February 16, 2023 are effective.

Also, in accordance with the statutory and legal attributions, the Supervisory Board meeting on 28.02.2023 appointed the members of the advisory committees as follows:

Nomination and Remuneration Committee:

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

Audit Committee:

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

Energy Security Committee:

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

The attached consolidated financial statements were signed by the Company's management on 16 March 2023:

Gabriel ANDRONACHE	Ștefănița MUNTEANU	Directorate, Cătălin-Constantin NADOLU	Bogdan TONCESCU	Florin-Cristian TĂTARU
Directorate Chairman	Directorate Member	Directorate Member	Directorate Member	Directorate Member
Ana-Iuliana DINU		Cristiana ZIRNOVAN		
Director, Economic-Financial and Administrative Unit		Manager, Budgeting & Management Reporting Department		

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

REPORT OF THE INDEPENDENT FINANCIAL AUDITOR
(free translation from romanian version¹)

To shareholders of C.N.T.E.E. – Transelectrica S.A.

Report on consolidated financial statements

Opinion

1. We have audited the accompanying consolidated financial statements of **C.N.T.E.E. Transelectrica S.A.** ("**The Company**"), with the registered office in Olteni Street, no.2-4, district 3, Bucharest, identified by the unique tax registration code RO 13328043, which include the consolidated statement of the financial position as at December 31, 2022, the consolidated statement of the global result, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended, and a summary of significant accounting policies and explanatory notes.
2. The consolidated financial statements as at December 31, 2022 are identified as follows:
 - Net asset/Total equity: 3,904,692 thousand lei
 - Net result of the financial year - profit: 521,633 thousand lei
3. In our opinion, the stand-alone financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2022, its financial performance for the year then ended and cash flows, in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of accounting regulations in accordance with the International Financial Reporting Standards, with subsequent amendments.

Basis for opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (IESBA Code) issued by the Council for International Ethics Standards for Professional Accountants as it was adopted and implemented by the Romanian Chamber of Auditors and we have fulfilled our other ethical responsibilities in accordance with the requirements of IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

5. As disclosed in Note 10 "*Trade receivables and other receivables*", as of December 31, 2022, the Company disclose receivables from administration activity of the support scheme for the promotion of high efficiency cogeneration in the amount of 131,493 thousand lei, out of which the amount of 131,101 thousand lei related to clients in financial difficulties, as well as debts in the amount of 35,549 thousand lei. According to the legislation in force issued by ANRE, the amounts uncollected by the scheme's administrator from the producers of electricity and heat in cogeneration and who have accessed the support scheme, will be recovered by including them in the cogeneration contribution, according to the methodology issued by ANRE, if the administrator has taken all the legal steps to collect the amounts from those who owe them. At the date of this report, ANRE did not issue the methodology. Our audit opinion is not modified in this regard.

¹ *Translator's explanatory note: The above translation of the auditor's report is provided as a free translation from Romanian which is the official and binding version.*



Key audit matters

6. The key audit matters are those aspects that, based on our professional judgement, were of most significance in the audit of the consolidated financial statements of the current period. These issues have been addressed in the context of the audit of consolidated financial statements as a whole and in forming our opinion on them and we do not give a separate opinion on these key issues.

• **Provisions for litigations.**

- **Description.** The company is involved in numerous litigations with business partners, authorities and salaries, thus there is a risk of future economic losses. At Note 29 "Commitment" are disclosed the significant litigations in which the Company is involved. The decision to book a provision for litigation or to disclose a contingent liability in consolidated financial statements depends on the professional judgment and certain estimates of the Company's management. We considered whether the recognition of some provisions for litigation is significant for the audit, as it would cause the recognition of overestimated results.
- **Our answer.** Our audit procedures to address the risk of material misrepresentation in relation to the recognition of provisions for litigation, which was considered as material risk, included:
 - reviewing the decisions of the General Meeting of Shareholders, of the Supervisory Board and of the Executive Board;
 - obtaining and evaluating the answers of the lawyers to the auditor's letters, followed by obtaining some clarifications regarding the status of certain disputes. During the audit mission, discussions were held with the management and advocates (internal and external) on significant litigations;
 - critical assessment of the working assumptions and estimates made by the Company regarding litigations, including the amount of recognized provisions in the consolidated financial statements or contingent liabilities disclosed. We reviewed the disclosures of potential risks related to litigations in the notes to the consolidated financial statements.

• **Revenue recognition.**

- **Description.** The revenue recognition policy is disclosed at Note 3 "Accounting Policies". According to international auditing standards, there is an implicit risk in the revenue recognition, due to the pressure that the management have to meet the budgeted results. The main revenue generating activities for the Company are represented by: the electricity transmission service, system services and from the activity of the operator of the balancing market. The electricity transmission activity is an activity of general interest in the field of electricity, authorized and monitored by a public authority, with a natural monopoly character. The tariffs applied by the Company for the transmission system services are established and approved by ANRE (National Energy Regulatory Authority); The company is the operator of the balancing market, its functioning being regulated by an order by ANRE, the purpose of the market being to ensure the balancing of the production balance – electricity consumption in real time, using resources from a competitive environment.
- **Our answer.** Our audit procedures to address the risk of significant distortion and in relation to revenue recognition included, among others:
 - Understanding how to recognize and book the main categories of income;
 - Detailed tests on the transactions registered by the Company during the financial year;
 - Testing procedures to ensure that revenues are recorded in the correct period;
 - Procedures for confirmation of commercial receivables for a representative sample.

Other issues

7. This report is addressed exclusively to the shareholders of the Company as a whole. Our audit was carried out in order to be able to report to the Company's shareholders those aspects that we have to report to a financial audit report and not for other purposes. To the extent permitted by law, we do not



accept or assume responsibility only to the Company and its shareholders, as a whole, for our audit, for this report.

8. Taxation in Romania is constantly evolving. There is the possibility of different interpretations of the legal provisions by the Ministry of Finance and by the local tax authorities. The company's management has registered in the accounts presented various taxes, penalties and fees, based on the best interpretation of the tax provisions in force, an interpretation that can be challenged by a possible fiscal control.

Other information – Administrators' Report and non-financial statement

9. The administrators (Board of Directors and Supervisory Board) are responsible for the preparation and presentation of other information. That information includes the Administrator's Report but does not include the consolidated financial statements and the auditor's report on them.

Our opinion on the consolidated financial statements does not cover and these Other information and except for the case in which is explicitly mentioned in our report, does not express in any kind of assurance conclusion about them.

In relation to the audit of the consolidated financial statements for the financial year ended on 31 December 2022, our responsibility is to read that information and, in this approach, and to assess whether that information is significantly inconsistent with the consolidated financial statements, or with the knowledge we have obtained during the audit, or whether it appears to be significantly distorted.

Regarding the Administrator's Report, we have read and report whether it has been imprinted, in all significant aspects, in accordance with the requirements of OMFP 2844/2016, Annex 1, paragraphs 15-19.

In the exclusive basis of the activities to be carried out during the audit of the consolidated financial statements, in our opinion:

- a) The information submitted in the Administrator's Report for the financial year for which the consolidated financial statements have been entered shall be consistent, in all material respects, with the consolidated financial statements.
- b) The Administrators' Report was imprinted, in all significant aspects, in accordance with the requirements of OMFP 2844/2016, Annex 1, paragraphs 15-19 and 26-28.

In addition, based on the knowledge and understanding of the Company and its environment, acquired during the audit of the consolidated financial statements for the financial year ended on the 31st December 2022, we are asked to report if we have identified significant distortions in the Administrator's Report. We have nothing to report on this.

The Administrator's report does not include non-financial statements and sustainability report, as this will be prepared according to OMFP 2844/2016 provisions, paragraphs 39-42 and it will be published according to legislation in force, at a subsequent date. This has no impact on audit opinion.

Responsibilities of management and persons responsible for governance for consolidated financial statements

10. The Company's management is responsible for drawing up consolidated financial statements that provide a true and fair view in accordance with OMFP 2844/2016 and for that internal control that the management deems necessary to enable them. the preparation of consolidated financial statements free of significant distortions, caused either by fraud or error.
11. In order to prepare consolidated financial statements, the management is responsible for assessing the Company's ability to continue its activity, for presenting, if applicable, the aspects related to the continuity of the activity and for the use of accounting you are based on the continuity of the activity, except for the



case where the management either intends to liquidate the Company or to stop the operations, or has no other alternative realistic in outside them.

12. Persons in charge of governance are responsible for overseeing the Company's financial reporting process.

The auditor's responsibilities on audit of the consolidated financial statements

13. Our objectives are to obtain reasonable assurance on the extent to which the financial statement as a whole are free of significant distortions, caused either by fraud or error, and by the issuance of an auditor's report that includes our opinion. Reasonable insurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the ISA will always detect significant distortion, if any. Distortions can be caused either by fraud or error and are considered material if it can reasonably be expected that they, individually or cumulatively, will influence the economic decisions of the users, taken on the basis of these consolidated financial statements.

14. As part of an audit in accordance with the ISA, we exercise professional reasoning and maintain professional skepticism throughout the audit. Also:

- We identify and assess the risks of significant distortion of the consolidated financial statements, caused by either fraud or error, we design and execute audit procedures as a response to those risks and obtain we are providing sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting a significant distortion caused by fraud is higher than that of not detecting a significant distortion caused by error, because fraud can involve secret, forgery, intentional omissions, false statements and avoiding internal control.
- We understand internal control relevant to the audit, in order to design audit procedures appropriate to the circumstances, but without having the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We assess the adequacy of the accounting policies used and the reasonableness of the accounting estimates and of the related presentations of information made by the management.
- We form a conclusion regarding the adequacy of the management's use of accounting based on the continuity of the activity and determine, based on the audit evidence obtained, if there is a significant uncertainty regarding events or conditions that could generate significant changes in the Company's ability to continue its activity. In the case where we conclude that there is significant uncertainty, we must draw attention in the auditor's report on the related presentations in the consolidated financial statements or, in if these presentations are inappropriate, let's change our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to no longer operate based on the principle of activity continuity.
- We assess the presentation, structure and content of consolidated financial statements, including disclosures, and the measure that consolidated financial statements reflect transactions and the events underlying them intr-a manner that results in a faithful presentation.

15. We communicate to the people in charge of governance, among other aspects, the planned area and the time programming of the audit, as well as the main findings of the audit, including any significant deficiencies in internal control, which we identify during the audit.

16. We also provide the persons in charge of governance with a statement regarding our compliance with the ethical requirements regarding independence and we communicate to them all the relationships and other aspects that can reasonably be considered to be it could affect our independence and, where appropriate, the related safety measures.

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17. Of the aspects that we have communicated to the people who are in charge of the government, we establish those aspects that had a greater importance in the audit on the consolidated financial statements in the current period and, therefore, represent key audit aspects. We describe these aspects in our audit report, except in the case where the legislation or regulations prevent the public presentation of the respective aspect or of the case that, in extremely rare circumstances, considers that an issue should not be communicated in our report because it is reasonably expected that the benefits of the public interest will be outweighed by the negative consequences of this communication.

Report on other legal and regulatory provisions

18. We were appointed as auditors by signing the audit contract dated 20.12.2021 to audit the consolidated financial statements of the Company, for the financial years concluded on December 31, 2021, 2022, respectively 2023. The total uninterrupted duration of our commitment is 2 years, covering the financial year ended on December 31, 2021 and 2022.

Confirm that:

- Our audit opinion is consistent with the additional report submitted to the Company's Board of Directors, which we issued on the same date that we issued and this report. Also, in the conduct of our audit, we have maintained our independence from the audited entity.
- We have not provided for the Company the prohibited non-audit services referred to in Article 5(1) of EU Regulation No. 537/2014.

Report on compliance with the European Commission Delegated Regulation (EU) 2018/815 on the European Single Electronic Format Regulatory Technical Standard ("ESEF")

We have carried out a reasonable assurance mission on the compliance of the consolidated financial statements prepared by C.N.T.E.E. Transelectrica S.A. in accordance with article 4 of delegated regulation (EU) 2018/815, which establishes the regulatory technical standards regarding the specification of a single electronic reporting format – "ESEF".

Responsibility of the management of C.N.T.E.E. Transelectrica S.A. regarding the digital files prepared in accordance with ESEF

The Company's management is responsible for the preparation of digital files in accordance with ESEF. This responsibility includes:

- designing, implementing and maintaining an adequate internal control on ESEF reporting;
- selection and application of appropriate iXBRL mark ups;
- ensuring consistency between the digital information and the consolidated financial statements published according to the provisions of Order 2844/2016.

Auditor's responsibility

Our responsibility lies in expressing, on the basis of the audit evidence obtained, a conclusion on the compliance of the electronic labelling of the elements in the consolidated financial statements, in accordance with article 4 of the Delegated Regulation, in all material aspects. Our reasonable assurance mission has been carried out in accordance with the International Standard on Insurance Missions 3000 (revised) – "Other assurance missions than audits or revisions of historical financial information", issued by the International Standards Council for Auditing and Assurance.

A reasonable assurance mission under ISAE 3000 involves carrying out procedures to obtain advice on compliance with Article 4 of the ESEF Delegated Regulation. The nature, timing and extent of the selected procedures depend on the auditor's reasoning, including in assessing the risk of significant deviations from the provisions of Article 4, caused either by fraud or error. A reasonable insurance mission involves:



- obtaining an understanding of the labeling process and the relevant internal controls;
- reconciliation of the labeled data with the audited consolidated financial statements of the Company;
- evaluation of the completeness of the labeling of the consolidated financial statements of the Company using the XBRL marking language;
- assess whether all iXBRL markings, including voluntary mark ups, comply with ESEF reporting requirements;

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the labeled elements from the consolidated financial statements included in the annual financial report in the digital files for the financial year ended 31 December 2022 are labeled, in all material aspects, in accordance with article 4 of Delegated Regulation (EU) 2018/815.

In this report we do not express an audit opinion, a review conclusion or any other assurance conclusion regarding the consolidated financial statements. Our audit opinion on the Company's consolidated financial statements for the financial year ended December 31, 2022 is included in the section Report on the consolidated annual financial statements above.

On behalf of: **PKF Finconta SRL**

Str. Jean Louis Calderon, nr. 38, Sector 2, Bucharest

Registered with the Authority for Public Supervision of the Statutory Audit Activity under number FA32

Audit partner name: **Florentina Susnea**

In registered with the Authority for Public Supervision of the Statutory Audit Activity under number AF433

Bucharest, March 20, 2023

