

**CNTEE Traselectrica SA**  
**Company administered in dualist system**

**Separate Financial Statements**  
**on the date 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**

**CNTEE Transelectrica SA**

Separate situation of the financial position on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

	<u>Row</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Assets</b>			
<b>Frozen assets</b>			
Tangible fixed assets	5	4,001,791,825	3,814,698,495
Tangible assets related to the rights of use of the leased assets – buildings	6	21,868,658	29,820,897
Intangible fixed assets	7	337,701,123	7,105,259
Financial fixed assets	8	86,000,088	81,742,973
<b>Total frozen assets</b>		<b>4,447,361,694</b>	<b>3,933,367,624</b>
<b>Current assets</b>			
Stocks	9	42,047,194	39,939,697
Trade receivables and other receivables	10	3,340,471,542	2,995,581,608
Tax on profit to be recovered	18	3,988,973	21,213,984
Other financial assets	12	-	-
Cash and cash equivalents	11	315,146,396	252,225,142
<b>Total current assets</b>		<b>3,701,654,105</b>	<b>3,308,960,431</b>
<b>Total assets</b>		<b>8,149,015,799</b>	<b>7,242,328,055</b>
<b>Equity capitals and debts</b>			
<b>Equity capitals</b>			
Share capital, of which:		733,031,420	733,031,420
- <i>Subscribed share capital</i>		733,031,420	733,031,420
Issue premium		49,842,552	49,842,552
Legal reserves		146,606,284	137,926,619
Re-evaluation reserves		703,232,784	769,348,928
Other reserves		39,310,392	31,145,250
Carried-forward result		2,196,479,419	1,633,807,204
<b>Total equity capitals</b>	13	<b>3,868,502,851</b>	<b>3,355,101,973</b>
<b>Long term debts</b>			
Long term incomes in advance	14	439,025,206	443,434,048
Loans	15	55,587,774	79,455,068
Other loans and assimilated debts – Long term building leasing	17	14,754,992	22,751,934
Debts regarding postponed taxes	18	107,408,732	117,343,340
Obligations regarding the benefits of the employees	16	70,533,349	59,960,381
<b>Total long term debts</b>		<b>687,310,053</b>	<b>722,944,771</b>

The attached notes are part of this separate financial statements

**CNTEE Transelectrica SA**

Separate situation of the financial position on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

	<u>Row</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Current debts</b>			
Commercial debts and other debts	<b>17</b>	3,372,266,925	3,033,542,108
Other loans and assimilated debts – Building leasing – short term	<b>17</b>	8,431,424	8,273,431
Other taxes and obligations for social securities	<b>20</b>	12,718,537	14,323,661
Loans	<b>15</b>	92,249,024	24,871,963
Provisions	<b>17</b>	68,174,547	51,688,960
Short term incomes in advance	<b>14</b>	39,362,438	31,581,188
Tax on profit to be paid	<b>18</b>	-	-
<b>Total current debts</b>		<b><u>3,593,202,895</u></b>	<b><u>3,164,281,311</u></b>
<b>Total debts</b>		<b><u>4,280,512,948</u></b>	<b><u>3,887,226,082</u></b>
<b>Total equity capitals and debts</b>		<b><u>8,149,015,799</u></b>	<b><u>7,242,328,055</u></b>

*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 presented separate financial statements were signed by the Company's management on March 16, 2023:

**DIRECTORATE,**

<b>President</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>
<b>Gabriel ANDRONACHE</b>	<b>Florin-Cristian TĂTARU</b>	<b>Ștefăniță MUNTEANU</b>	<b>Cătălin-Constantin NADOLU</b>	<b>Bogdan TONCESCU</b>

**Director, Economic-Financial and Administrative Unit**

**Ana-Iuliana DINU**

**Manager, Accounting Department**

**Georgiana-Beatrice ȘTEFAN**

**CNTEE Transelectrica SA**

Separate profit and loss account for the financial year ended on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

	<u>Row</u>	<u>2022</u>	<u>2021</u>
<b>Incomes</b>			
Incomes from transport service		1,884,908,784	1,252,286,233
Income from system services		533,615,814	623,720,414
Incomes regarding the balancing market		3,478,995,282	1,822,563,918
Other incomes		388,937,976	56,969,232
<b>Total incomes</b>	<b>21</b>	<b>6,286,457,856</b>	<b>3,755,539,797</b>
<b>Operating expenses</b>			
System operating expenses	22	(901,663,440)	(576,408,805)
Balancing Market expenses	22	(3,479,716,063)	(1,809,588,063)
Technological system services expenses	22	(466,608,039)	(609,608,093)
Depreciation	23	(271,601,694)	(274,471,326)
Expenses with personnel	24	(306,389,734)	(244,336,202)
Repairs and maintenance		(108,250,673)	(97,438,234)
Expenses with materials and consumables	9	(13,159,965)	(9,696,131)
Other operating expenses	25	(144,988,830)	(123,424,865)
<b>Total operating expenses</b>		<b>(5,692,378,438)</b>	<b>(3,744,971,719)</b>
<b>Operating profit</b>		<b>594,079,418</b>	<b>10,568,078</b>
Financial incomes		65,189,878	6,402,152
Financial expenses		(71,883,403)	(15,092,341)
<b>Net financial result</b>	<b>26</b>	<b>(6,693,525)</b>	<b>(8,690,189)</b>
<b>Result before the tax on profit</b>		<b>587,385,893</b>	<b>1,877,889</b>
Tax on profit	18	(72,813,152)	(1,427,998)
<b>Financial year result</b>		<b>514,572,741</b>	<b>449,891</b>
<b>Basic result and diluted per share (RON/share)</b>	<b>19</b>	<b>7.020</b>	<b>0.006</b>

The attached notes are part of this separate financial statements

**CNTEE Transelectrica SA**

Separate profit and loss account for the financial year ended on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

	<u>Nota</u>	<u>2022</u>	<u>2021</u>
<b>Result of the financial year</b>		<b>514,572,741</b>	<b>449,891</b>
<b>Other elements of the global result</b>			
Elements that will not be re-classified in the profit and loss account, of which:			
- Effect of the taxation related to the re-assessment reserve	<b>18</b>	-	-
- Surplus/(reduction) from the re-assessment of the tangible fixed assets	<b>5</b>	-	-
- (Loss)/surplus actuarial related to the determined benefits plan	<b>16</b>	(9,337,005)	9,222,556
<b>Other elements of the global result (AERG)</b>		<u><b>(9,337,005)</b></u>	<u><b>9,222,556</b></u>
<b>Total global result</b>		<u><b>505,235,736</b></u>	<u><b>9,672,447</b></u>

The presented separate financial statements were signed by the Company's management on March 16, 2023:

**DIRECTORATE,**

<b>President</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>
<b>Gabriel ANDRONACHE</b>	<b>Florin-Cristian TĂTARU</b>	<b>Ștefăniță MUNTEANU</b>	<b>Cătălin-Constantin NADOLU</b>	<b>Bogdan TONCESCU</b>

**Director, Economic-Financial and Administrative Unit**

**Ana-Iuliana DINU**

**Manager, Accounting Department**

**Georgiana-Beatrice ȘTEFAN**

**CNTEE Transelectrica SA**

Separate statement of the modifications of the equity capitals for the financial year ended on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

	<u>Share capital</u>	<u>Issue Premiums</u>	<u>Legal Reserves</u>	<u>Re-assessment Reserves</u>	<u>Other Reserves</u>	<u>Carried – forward result</u>	<u>Total</u>
<b>Balance on January 01, 2021</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>137,832,724</b>	<b>841,699,025</b>	<b>17,441,687</b>	<b>1,615,652,289</b>	<b>3,395,499,697</b>
<b>Overall result of the period</b>							
Profit of the financial year	-	-	-	-	-	449,891	<b>449,891</b>
<b>Other elements of the overall result, of which:</b>							
Recognition of actuarial profit related to the defined benefit plan	-	-	-	-	-	9,222,556	<b>9,222,556</b>
Surplus from revaluation of tangible assets	-	-	-	-	-	-	-
Deferred tax liability related to the revaluation reserve	-	-	-	-	-	-	-
Transfer of revaluation reserves carried-forward result	-	-	-	(72,350,097)	-	72,350,097	-
<b>Total other elements of the overall result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(72,350,097)</b>	<b>-</b>	<b>81,572,653</b>	<b>9,222,556</b>
<b>Total global result of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(72,350,097)</b>	<b>-</b>	<b>82,022,544</b>	<b>9,672,447</b>
<b>Other elements</b>							
Increasing the legal reserve	-	-	93,895	-	-	(93,895)	-
Other elements – reducing the reserve in order to increase the capital	-	-	-	-	(599,411)	-	<b>(599,411)</b>
<b>Total other elements</b>	<b>-</b>	<b>-</b>	<b>93,895</b>	<b>-</b>	<b>(599,411)</b>	<b>(93,895)</b>	<b>(599,411)</b>
<b>Contributions from and distributions to shareholders</b>							
De-recognition of immovables of the nature of public patrimony through the registration of GD no. 615, 682 and 683 of 2019, which changed the inventory of goods in the public domain	-	-	-	-	-	-	-
Subsidies related to fixed assets belonging to the public domain of the state	-	-	-	-	14,302,974	-	<b>14,302,974</b>
Distribution of dividends	-	-	-	-	-	(63,773,734)	<b>(63,773,734)</b>
<b>Total contributions from and distributions to shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,302,974</b>	<b>(63,773,734)</b>	<b>(49,470,760)</b>
<b>Balance as of December 31, 2021</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>137,926,619</b>	<b>769,348,928</b>	<b>31,145,250</b>	<b>1,633,807,204</b>	<b>3,355,101,973</b>

The presented separate financial statements were signed by the Company's management on March 16, 2023:

**DIRECTORATE,****President**  
**Gabriel ANDRONACHE****Member**  
**Florin-Cristian TĂTARU****Member**  
**Ștefăniță MUNTEANU****Member**  
**Cătălin-Constantin NADOLU****Member**  
**Bogdan TONCESCU****Director, Economic-Financial and Administrative Unit****Ana-Iuliana DINU****Manager, Accounting Department****Georgiana-Beatrice ȘTEFAN**

The attached notes are part of this separate financial statements

**CNTEE Transelectrica SA**

Separate statement of the modifications of the equity capitals for the financial year ended on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

	<b>Capital social</b>	<b>Prime de emisiune</b>	<b>Rezerve legale</b>	<b>Rezerve din reevaluare</b>	<b>Alte rezerve</b>	<b>Rezultat reportat</b>	<b>Total</b>
<b>Balance on January 01, 2022</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>137,926,619</b>	<b>769,348,928</b>	<b>31,145,250</b>	<b>1,633,807,204</b>	<b>3,355,101,973</b>
<b>Overall result of the period</b>	-	-	-	-	-	-	-
Profit of the financial year	-	-	-	-	-	514,572,741	514,572,741
<b>Other elements of the overall result, of which:</b>	-	-	-	-	-	-	-
Recognition of actuarial profit related to the defined benefit plan	-	-	-	-	-	(9,337,005)	(9,337,005)
Surplus from revaluation of tangible assets	-	-	-	-	-	-	-
Deferred tax liability related to the revaluation reserve	-	-	-	-	-	-	-
Transfer of revaluation reserves carried-forward result	-	-	-	(66,116,144)	-	66,116,144	-
<b>Total other elements of the overall result</b>	-	-	-	<b>(66,116,144)</b>	-	<b>56,779,139</b>	<b>(9,337,005)</b>
<b>Total global result of the period</b>	-	-	-	<b>(66,116,144)</b>	-	<b>571,351,880</b>	<b>505,235,736</b>
<b>Alte elemente</b>	-	-	-	-	-	-	-
Majorarea rezervei legale	-	-	8,679,665	-	-	(8,679,665)	-
Alte elemente	-	-	-	-	-	-	-
<b>Other elements</b>	-	-	<b>8,679,665</b>	-	-	<b>(8,679,665)</b>	-
<b>Contributions from and distributions to shareholders</b>	-	-	-	-	-	-	-
De-recognition of immovables of the nature of public patrimony through the registration of GD no, 615, 682 and 683 of 2019, which changed the inventory of goods in the public domain	-	-	-	-	-	-	-
Subsidies related to fixed assets belonging to the public domain of the state	-	-	-	-	8,165,142	-	8,165,142
Distribution of dividends	-	-	-	-	-	-	-
<b>Total contributions from and distributions to shareholders</b>	-	-	-	-	<b>8,165,142</b>	-	<b>8,165,142</b>
<b>Balance as of December 31, 2022</b>	<b>733,031,420</b>	<b>49,842,552</b>	<b>146,606,284</b>	<b>703,232,784</b>	<b>39,310,392</b>	<b>2,196,479,419</b>	<b>3,868,502,851</b>

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**Bogdan TONCESCU****Director, Economic-Financial and Administrative Unit****Ana-Iuliana DINU****Manager, Accounting Department****Georgiana-Beatrice ȘTEFAN**

The attached notes are part of this separate financial statements

**CNTEE TRANSELECTRICA SA**

Separate statement of the treasury flows for the financial year ended on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

	<b>2022</b>	<b>2021</b>
<b>Treasury flows from operating activity</b>		
Profit for the period	514,572,741	449,891
<b>Adjustments for:</b>		
Income tax expense	72,813,152	1,427,998
Depreciation expenses (including additional CPT)	271,601,694	274,471,326
Income from the production of intangible assets (including additional CPT)	(338,526,677)	-
Expenses with adjustments for depreciation of trade receivables	2,496,172	14,686,348
Reversal of trade receivables depreciation adjustments	(14,800,619)	(4,312,283)
Losses from receivables and various debtors	410,765	35,619
Net Expenses/Income with adjustments for depreciation of various debtors	9,067,818	10,140,884
Expenses net of adjustments for inventory depreciation	272,694	1,789,558
Net profit/loss from the sale of tangible fixed assets	736,980	529,275
Net income on provisions for risks and expenses	(3,162,363)	(13,748,146)
Net income on provisions for risks and expenses	16,260,508	(45,190,687)
Interest expense, interest income and unrealized exchange rate differences	5,207,364	7,190,423
<b>Cash flows before changes in working capital</b>	<b>536,950,229</b>	<b>247,470,206</b>
<b>Changes in:</b>		
Customers and assimilated accounts - energy and other activities	(420,987,095)	(1,768,587,337)
Customers - balancing	2,619,553	(388,801,567)
Customers - cogeneration	76,309,490	(12,753,532)
Stocks	(2,380,191)	(1,538,280)
Trade and other payables - energy and other activities	502,795,307	1,655,846,259
Debts - balancing	33,156,405	409,586,787
Debts - cogeneration	(181,342,848)	68,792,639
Other taxes and social security obligations	(1,605,124)	(2,687,768)
Advance income	1,954,727	15,285,135
<b>Treasury flows from operating activity</b>	<b>547,470,453</b>	<b>222,612,542</b>
Interest paid	(7,412,980)	(4,415,250)
Profit tax paid	(62,266,911)	(23,088,802)
<b>Net cash generated from operating activity</b>	<b>477,790,562</b>	<b>195,108,490</b>
<b>Treasury flows used in investment activity</b>		
Purchases of tangible and intangible assets	(461,855,439)	(494,645,574)
Cashing from EC grant funding	9,582,823	93,151,201
Interest received	2,664,622	2,487,352
Dividends received	1,534,971	23,352
Cashing from the sale of tangible assets	156	-
<b>Net cash used in investing activity</b>	<b>(448,072,867)</b>	<b>(398,983,669)</b>
<b>Treasury flows used in financing activity</b>		
Long-term loan repayments	(23,753,139)	(23,725,852)
Use of cogeneration credit line	-	-
Use of working capital credit line	67,617,751	-



**CNTEE Transelectrica SA**

Separate statement of the treasury flows for the financial year ended on December 31, 2022  
(All amounts are expressed in RON, if not otherwise indicated)

Building lease payments	(10,575,197)	(10,527,252)
Dividends paid	(85,856)	(63,650,103)
<b>Net cash used in financing activity</b>	<b>33,203,559</b>	<b>(97,903,207)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>62,921,254</b>	<b>(301,778,386)</b>
<b>Cash and cash equivalents at January 1</b>	<b>252,225,142</b>	<b>554,003,528</b>
Cash and cash equivalents at the end of the period	<b>315,146,396</b>	<b>252,225,142</b>

The presented separate financial statements were signed by the Company's management on March 16, 2023:

**DIRECTORATE,**

<b>President</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>
<b>Gabriel</b>	<b>Florin-Cristian</b>	<b>Ștefăniță</b>	<b>Cătălin-Constantin</b>	<b>Bogdan</b>
<b>ANDRONACHE</b>	<b>TĂTARU</b>	<b>MUNTEANU</b>	<b>NADOLU</b>	<b>TONCESCU</b>

**Director, Economic-Financial and Administrative Unit**

**Ana-Iuliana DINU**

**Manager, Accounting Department**

**Georgiana-Beatrice ȘTEFAN**

## **CNTEE TRANSELECTRICA SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

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### **1. ACTIVITY DESCRIPTION AND GENERAL INFORMATION**

The main activity of CNTEE Transelectrica SA ("Company") 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, Bucharest, sector 3. 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 separate 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, 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 set up***

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.

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

The Company'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 related to the activity of the Company***

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

## **CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

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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 CNTEE Transelectrica SA 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 context***

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 of 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

## **CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

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additions, the National Energy Regulatory Authority (ANRE) approved by Order no. 164/07.12.2015 the certification of Compania Naționala de Transport al Energiei Electrice "Transelectrica" SA 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.

### ***Tariff for the electric energy transport service and the system service***

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 28).

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 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:

The attached notes are part of the separate financial statements

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- 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 Assets Basis ("BAR")***

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-XT, BET-NG, BET-XT-TR, BET-TR, BET-BK, BET-TRN, BET-XT-TRN, BET BETPlus.

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

## **CNTEE Transelectrica SA**

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### ***Incomes of the Company***

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

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

### ***Electric energy transmission service***

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 Transelectrica 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 Company uses its own resources called functional system services and purchases technological system services from electricity producers. CNTEE Transelectrica SA 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 CNTEE Transelectrica SA, 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. CNTEE Transelectrica SA 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 CNTEE Transelectrica SA and consist of the planning and operational management of the SEN, as well as the other activities provided by CNTEE Transelectrica SA 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.

## CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

(All amounts are expressed in RON, if not otherwise indicated)

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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 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 kAf, 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, CNTEE Transelectrica SA 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.



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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

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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 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).

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 - 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.

From the point of view of the internal regulatory framework, the roles and responsibilities of the operators involved, CNTEE Transelectrica SA 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.

CNTEE Transelectrica SA, 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).

The attached notes are part of the separate financial statements

## **CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

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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 aids")***

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 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. DRAFTING BASES**

### **Statement of Conformity**

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

### **Assessment Bases**

The attached notes are part of the separate financial statements

## CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

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The financial 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 presentation currency

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

### Use of estimates and judgments

The preparation of financial 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 28), regarding the recognition of non-refundable funds to be received (see Note 14 – Advance income), regarding adjustments for losses in value of receivables (see Note 10), regarding related obligations cash-settled share-based payment transactions (Note 30) 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 14 - the estimate of the Company'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 28 - 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 Company (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 Company 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 Company are regulated by ANRE, therefore, the Grantor (Ministry of Economy) does not control and does not regulate the type of services that the Company 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 Company 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.

The attached notes are part of the separate financial statements

## CNTEE Transelectrica SA

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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 detailed below have been applied consistently for all periods presented in these financial statements, except for the matters presented in Note 3 letter (x) which present the changes in accounting policies.

#### (a) Tangible fixed assets

##### *Own 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.

##### *Subsequent 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 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:

	<b>Normal operating period (years)</b>
Buildings and special installations	40-60
Machinery and equipment	15-40
Measurement 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.

##### *Re-assessment*

The company 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.

## CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

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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.

### (b) 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.

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 company 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 Company in the form of a royalty for the use of these assets is established by the ME 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 company 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<sup>^</sup>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 Company would have recorded for the respective assets if this contract had not existed. However, the Company 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

The attached notes are part of the separate financial statements

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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.

### (c) Intangible fixed assets

Intangible fixed assets acquired by the Company 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 Company 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.

### *Subsequent 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.

### (d) 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:

Currency	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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.

### (e) 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 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".

### (f) Stocks

Stocks 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 Company'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 Company's policy to record a 100% value loss on inventory older than 365 days that will not be used in the future.

### (g) 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.

### (h) Re-assessment Reserves

The attached notes are part of the separate financial statements

## **CNTEE Transelectrica SA**

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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 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 company 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 company 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 Company, 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.

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

The accounting values of the Company'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.

### **(j) 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.

### **(k) Dividends**

The attached notes are part of the separate financial statements



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

### **(l) Commercial debts and other debts**

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.

### **(m) 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.

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

#### ***Non-derivative financial assets***

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

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

#### ***Non-derivative financial debts***

The Company 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 Company becomes a party to the contractual terms of the instrument.

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

The company 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.

### **(o) Tax on profit**

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.

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The deferred tax assessment reflects the tax consequence that would arise from how the Company 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) Income Tax Exposure***

The Company 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 Company 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.

#### **(p) Benefits of the employees**

##### ***Other long-term benefits of the employees***

The Company'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 Company 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 Company 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 Company 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 Company makes payments on behalf of its employees to the pension fund. All employees of the Company are members of the pension plan of the Romanian State. These payments are registered as expense as the services are rendered by the employees.

#### **(q) Revenue**

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 Romanian state, through ANRE, regulates the tariffs charged by the Company 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 whose main interest is the return on investment.

## **CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

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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 tariffs**

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.

### **(r) 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 Company 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 Company's right to receive dividends is recognized.

### **(s) 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 Company 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.

### **(t) Provisions**

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

- 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.

The attached notes are part of the separate financial statements

## CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on December 31, 2022  
(All amounts are expressed in RON, if not otherwise indicated)

### (u) 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 Company'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.

### (v) 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.

### (w) Operating 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 company carries out its operations in several locations in Romania, which are engaged in both transmission and dispatching activities. The Company'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.

### (x) Implications of the new International Financial Reporting Standards (IFRS EU)

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 8.31 (a)]

<b>Norm/Interpretation</b> [IAS 8.31 (a), 8.31(c)]	<b>Nature of the imminent amendment of the accounting policy</b> [IAS 8.31 (b)]	<b>Possible impact on the financial statements</b> [IAS 8.31 (e)]
Amendment to IFRS 17 "Insurance contract". Initial application of IFRS 17 and IFRS 9 - comparative information (published December 9, 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 individual financial statements, as this standard is not applicable at the date of preparation of these financial statements.
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, 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 individual financial statements of 2022.
Amendments to IAS 8 – definition of accounting estimates (applicable starting	The amendment clarifies how companies should distinguish between policy change	The adoption of the amendments will not have an impact on the individual financial

The attached notes are part of the separate financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

<b>Norm/Interpretation</b> <i>[IAS 8.31 (a), 8.31(c)]</i>	<b>Nature of the imminent amendment of the accounting policy</b> <i>[IAS 8.31 (b)]</i>	<b>Possible impact on the financial statements</b> <i>[IAS 8.31 (e)]</i>
January 1, 2023).	and estimate change.	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 - deferred tax resulting from assets and liabilities resulting from a single transaction (applicable starting January 1, 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 individual 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 Management anticipates that the adoption of these standards and amendments to existing standards will not have a material impact on the financial statements during the period of initial application.

**4. ESTABLISHING THE FAIR VALUE**

Some of the Company'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 Company 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:

- 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 fixed 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 Company, except for assets in progress, which are accounted for in accordance with the cost model.

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

(All amounts are expressed in RON, if not otherwise indicated)

**5. TANGIBLE FIXED ASSETS**

Between January 01, 2021 and December 31, 2022, the tangible fixed assets evolved as follows:

	<b>Lands and land arrangements</b>	<b>Buildings and special installations</b>	<b>Machinery and equipment</b>	<b>Control and measurement devices</b>	<b>Vehicles</b>	<b>Other tangible fixed assets</b>	<b>Tangible fixed assets in progress</b>	<b>Total</b>
<b>COST</b>								
<b>Balance on January 01, 2021</b>	<b>72,884,346</b>	<b>1,361,987,463</b>	<b>1,635,385,606</b>	<b>147,108,184</b>	<b>13,965,639</b>	<b>289,166,887</b>	<b>658,993,409</b>	<b>4,179,491,534</b>
Inputs	-	-	-	-	-	-	507,240,914	<b>507,240,914</b>
Increase / reduction of the re-assessment reserve	-	-	-	-	-	-	-	-
Transfers from ongoing tangible fixed assets	1,023,068	59,615,617	182,540,666	10,454,824	307,794	340,024	(254,281,993)	-
Re-classifications between fixed assets accounts	-	-	-	-	-	-	(905,844)	<b>(905,844)</b>
Outputs	(523,807)	(156,174)	(567,979)	(26,032)	-	(374,606)	(59,484)	<b>(1,708,082)</b>
Re-assessment impact	-	-	-	-	-	-	-	-
<b>Balance on december 31, 2021</b>	<b>73,383,607</b>	<b>1,421,446,906</b>	<b>1,817,358,293</b>	<b>157,536,976</b>	<b>14,273,433</b>	<b>289,132,305</b>	<b>910,987,002</b>	<b>4,684,118,522</b>
<b>Balance on January 01, 2022</b>	<b>73,383,607</b>	<b>1,421,446,906</b>	<b>1,817,358,293</b>	<b>157,536,976</b>	<b>14,273,433</b>	<b>289,132,305</b>	<b>910,987,002</b>	<b>4,684,118,522</b>
Intrări	-	-	-	-	-	-	435,474,698	<b>435,474,698</b>
Inputs	-	-	-	-	-	-	-	-
Increase / reduction of the re-assessment reserve	144,277	75,352,600	173,321,211	37,874,517	14,789	96,638	(286,804,032)	-
Transfers from ongoing tangible fixed assets	-	-	-	-	-	-	(2,301,565)	<b>(2,301,565)</b>
Re-classifications between fixed assets accounts	-	(1,770,909)	(225,854)	(95,306)	-	(6,256,279)	(42,554)	<b>(8,390,902)</b>
Outputs	-	-	-	-	-	-	-	-
<b>Balance on december 31, 2022</b>	<b>73,527,884</b>	<b>1,495,028,597</b>	<b>1,990,453,650</b>	<b>195,316,187</b>	<b>14,288,222</b>	<b>282,972,664</b>	<b>1,057,313,549</b>	<b>5,108,900,753</b>
<b>CUMULATED DEPRECIATION</b>								
<b>Balance on January 01, 2021</b>	<b>138,179</b>	<b>162,379,862</b>	<b>144,686,860</b>	<b>24,305,560</b>	<b>4,038,546</b>	<b>253,499,560</b>	-	<b>589,048,567</b>
Depreciation expense	-	69,101,800	157,485,172	26,799,416	3,551,388	7,768,604	-	<b>264,706,380</b>
Outputs cumulated depreciation	-	(96,723)	(98,530)	(25,650)	-	(374,607)	-	<b>(595,510)</b>
Re-assessment impact	-	-	-	-	-	-	-	-
<b>Balance on december 31, 2021</b>	<b>138,179</b>	<b>231,384,939</b>	<b>302,073,502</b>	<b>51,079,326</b>	<b>7,589,934</b>	<b>260,893,557</b>	-	<b>853,159,437</b>
<b>Balance on January 01, 2022</b>	<b>138,179</b>	<b>231,384,939</b>	<b>302,073,502</b>	<b>51,079,326</b>	<b>7,589,934</b>	<b>260,893,557</b>	-	<b>853,159,437</b>
Depreciation expense	-	66,086,207	145,965,138	26,281,106	3,037,368	7,092,657	-	<b>248,462,476</b>
Outputs cumulated depreciation	-	(1,147,957)	(116,595)	(90,381)	-	(6,256,279)	-	<b>(7,611,212)</b>
Re-assessment impact	-	-	-	-	-	-	-	-
<b>Balance on december 31, 2022</b>	<b>138,179</b>	<b>296,323,189</b>	<b>447,922,045</b>	<b>77,270,051</b>	<b>10,627,302</b>	<b>261,729,935</b>	-	<b>1,094,010,701</b>

The attached notes are part of the separate financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

	<b>Lands and land arrangements</b>	<b>Buildings and special installations</b>	<b>Machinery and equipment</b>	<b>Control and measurement devices</b>	<b>Vehicles</b>	<b>Other tangible fixed assets</b>	<b>Tangible fixed assets in progress</b>	<b>Total</b>
<b>ADJUSTMENTS FOR DEPRECIATION</b>								
<b>Balance on January 01, 2021</b>	-	-	-	-	-	-	<b>29,581,925</b>	<b>29,581,925</b>
Expense with depreciation adjustments	-	-	-	-	-	-	(13,321,335)	(13,321,335)
<b>Balance on december 31, 2021</b>	-	-	-	-	-	-	<b>16,260,590</b>	<b>16,260,590</b>
Expense with depreciation adjustments	-	-	-	-	-	-	(3,162,363)	(3,162,363)
<b>Balance on december 31, 2022</b>	-	-	-	-	-	-	<b>13,098,227</b>	<b>13,098,227</b>
<b>ACCOUNTING VALUE</b>								
<b>Balance on January 01, 2021</b>	<b>72,746,167</b>	<b>1,199,607,601</b>	<b>1,490,698,746</b>	<b>122,802,624</b>	<b>9,927,093</b>	<b>35,667,327</b>	<b>629,411,484</b>	<b>3,560,861,042</b>
<b>Balance on december 31, 2021</b>	<b>73,245,428</b>	<b>1,190,061,967</b>	<b>1,515,284,791</b>	<b>106,457,650</b>	<b>6,683,499</b>	<b>28,238,748</b>	<b>894,726,412</b>	<b>3,814,698,495</b>
<b>Balance on december 31, 2022</b>	<b>73,389,705</b>	<b>1,198,705,408</b>	<b>1,542,531,605</b>	<b>118,046,136</b>	<b>3,660,920</b>	<b>21,242,729</b>	<b>1,044,215,322</b>	<b>4,001,791,825</b>

The attached notes are part of the separate financial statements

## CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

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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. Gutinaș – Smârdan – 118,798,542;
- LEA 400 kV d.c. Cernavodă - Stâlpu and connection in Gura Ialomiței - 52,412,186;
- Modernization of Arefu 220/110/20 kV Station – 27,271,585;
- Refurbishment of the 220/110 kV Iaz Station – 24,821,326;
- Refurbishment of the Ungheni 220/110/20 kV Station – 24,672,913;
- Switching to 400 kV voltage of Portile de Fier - Resita - Timisoara - Săcălaz - Arad - Stage I - LEA 400kV s.c. Porțile de Fier - (Anina) – Reșița – 22,901,177;
- 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 – 16,302,838;
- Modernization of Munteni 400 (220)/110/20 kV Station – 16,003,125;
- Increasing the transmission capacity of LEA 220kV Stejaru - Gheorgheni - Fântânele -15,913,331;
- Refurbishment of the Smârdan 400/110/20 kV Station – 14,996,000;
- Refurbishment of the 220/110/20 kV Baru Mare Station – 14,364,556;
- Switching to 400 kV voltage of Portile de Fier - Reșița - Timișoara - Săcălaz - Arad - Stage I - 400/220/110 kV Reșița Station – 11,330,623;
- Replacement of AT and Transformer in Electric Stations - Stage 2, phase 2 - LOT 1 - LOT 2 – 10,417,981;
- Modernization of the Dumbrava 220/110 kV Station – 9,561,170;
- Relocation of 220 KV and 400 KV power grids at the intersection with the Bucharest Ring Road - 8,525,311;
- Stâlpu 400 kV station – 7,144,739;
- Extension of Gura Ialomiței 400 kV Station with two cells: LEA 400 kV Cernavodă 2 and 3- 6,526,245;
- The purchase and installation of 21 monitoring systems for the transformation units in the CNTEE Transelectrica SA stations – 5,032,140;
- 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 - 4,911,246;
- Power supply modernization at UNO-DEN headquarters – 4,441,590;
- Connecting the 400 kV Isaccea - Varna LEA and the Isaccea - Dobruđja LEA to the 400 kV Medgidia Sud Station – 4,168,590;
- LEA 220 kV double circuit Ostrovu Mare - RET (H.CA no. 17/2007) – 4,075,326;
- LEA diversion 220 kV Ampoi Alba Iulia area – 3,429,960;
- Refurbishment of the 220/110 kV Filești Station - 3,112,482;
- LEA 400 kV Gădălin - Suceava, including interconnection to SEN (H.CA no. 7/08.07.2010) – 2,359,350;
- System for metering and management of electric energy measurement data on the wholesale market – 2,281,327;
- Connection of the 400 kV Isaccea - Varna LV and the 400 kV Isaccea - Dobruđja LV in the Medgidia Sud 400 kV Station Stage II - 400 kV d.c. LV Connections at Medgidia Sud Station – 1,884,746;
- 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 - 1,528,380;
- Refurbishment of the Pelicanu 400/110 kV electrical transformer station – 1,151,158;
- Refurbishment of the 220/110 kV Hășdat Station - 1,268,972;
- Center for research and development of working technologies under voltage (LST) and rapid intervention in SEN - stage II -1,142,938;
- Pilot Project - Refurbishment of the 220/110/20 kV Alba Iulia Station in digital station concept – 1,070,501;
- Design and execution of Craiova-Pitesti Express Road - Section 1 – 986.932;
- Replacement of circuit breakers in electrical stations - Stage II – 981,635;
- Modernization of the 110 kV and 400 (220 kV) installations in Focșani Vest Station – 920,746;
- Refurbishment of the 220/110 kV Craiova Nord Station – 908,748;

The attached notes are part of the separate financial statements



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Explanatory notes to the financial statements for the financial year ended on December 31, 2022

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- Accumulator batteries in Suceava 400/220/110/20 kV Station, Roman Nord 400/110 kV Station and Focșani Vest 220/110/20 kV Station – 792,370;
- Refurbishment of the 220/110 kV Turnu Severin Est Station – 762,311;
- Modernization of the 220/110/20kV Vetîș Station - primary equipment – 678,942.

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-Dobruđja 400 kV LEA in the Medgidia Sud 400 kV Station, Stage I - Extension of the Medgidia Sud 400 kV Station – 58,635,080;
- Refurbishment of the 220/110 kV Hășdat Station – 54,284,638;
- Refurbishment of the 220/110 kV Iaz Station – 40,943,247;
- Modernization of the 220/110/20 kV Răureni Station – 25,428,593;
- 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 – 22,933,472;
- Replacement of AT and Transformer in electrical stations - Stage 2, phase 2 - LOT 1 - LOT 2 – 15,337,838;
- Power supply modernization at UnO-DEN premises – 8,983,074;
- Relocation of 220 KV and 400 KV electrical networks at the intersection with the Bucharest Ring Road - 8,525,311;
- Modernization of the 110 kV and 400 (220) kV installations in Focșani Vest Station – 8,336,456;
- Modernization of the Dumbrava 220/110 kV Station – 8,140,058;
- Modernization of the 110 kV Bacău Sud and Roman Nord stations related to the 400 kV Moldova axis - 6,904,234;
- Modernization of the 220/110/20 kV Vetîș Station - primary equipment – 6,660,292;
- 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) – 3,745,749;
- Relocation of high-voltage grids LEA 220 kV d.c. Lotru – Sibiu Sud, Lot 1 km 0+000 – km 13+170 – 3,280,087;
- Mobile cells of 110 kV, 220 kV and 400 kV – 3,064,062;
- Consolidation of servers and data storage network (private cloud) – 2,620,198;
- Performance of optical fiber communication between the Pitești Sud Station and the Remote Control and Installation Supervision Center of UTT Pitesti (SF) – 1,771,782;
- Refurbishment of Craiova Nord 220/110 kV Station – 1,080,263;
- Design and execution of the Craiova - Pitesti Express Road Section 1 - 986.932;
- Accumulator batteries in Suceava 400/220/110/20 kV Station, Roman Nord 400/110 kV Station and Focșani Vest 220/110/20 kV Station – 792,370;
- Refurbishment of the 220/110 kV Turnu-Severin Est Station – 762,311;
- 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 – 550,569;
- Sebeș-Turda highway, Lot 1-km0+000-Km17+100 Section A-0+300km – 14+000: Section 2, km 2+400-2+600 – 545,795;
- Replacement of accumulator batteries no. 1 and no. 2 of 220 Vcc from the 400/220/110 kV Sibiu Sud Station – 376,613;
- Hydrocarbon (oil) separators for concrete platforms in Isaccea Station (SF) – 372,125;
- 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 – 330,377;
- Connection to the RET for carrying out the works in the Săcălăz 220/110 kV Power Station, following the connection of the new Covaci 110/20 kV 2x25 MVA Power Station in 110 kV LEA Săcălăz – Orțișoara – 320,828;
- Increasing the capacity of extinguishing coils for treating the neutral of the medium voltage grid – 280,429;
- Compensation coils 100 MVAR, 400 kV for the 400 kV stations Arad, Bucharest and Bradu – 169,980;
- DRONES - 9 pieces – 166,182;
- 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 – 161,998;
- CPE (Customer Premises Equipment) router type equipment – 153,540;

The attached notes are part of the separate financial statements

## CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

(All amounts are expressed in RON, if not otherwise indicated)

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- 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 – 127,250;
- Equipment necessary for TEL data centers - Professional air conditioning and air dehumidification units of industrial level – 117,000.

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 5,853,759.

**The balance of tangible assets under construction** on December 31, 2022, in the amount of 1,044,652,447 lei (December 31, 2021: 885,398,211 lei), is represented by ongoing projects, the most significant being listed below:

- LEA 400 kV d.c. Cernavodă - Stâlpu and connection in Gura Ialomiței – 347,001,323;
- LEA 400 kV d.c. Gutinaș – Smârdan – 126,440,825;
- Switching to 400 kV voltage of Portile de Fier - Reșita - Timișoara - Săcălaz - Arad - Stage I - LEA 400kV s.c. Portile de Fier - (Anina) – Reșita – 115,580,206;
- Modernization of Munteni 400(220)/110/20 kV Substation – 47,667,134;
- 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 – 46,884,983;
- Modernization of Arefu 220/110/20 kV Station – 43,484,996;
- Refurbishment of the Ungheni 220/110/20 kV Station – 31,740,534;
- Refurbishment of the Smârdan 400/110/20 kV Station - 28,001,285;
- Refurbishment of the 220/110/20 kV Baru Mare Station – 20,843,689;
- Switching to 400 kV voltage of the Portile de Fier - Resita - Timișoara - Săcălaz - Arad - Stage I - Resita 400/220/110 kV Station – 20,617,104;
- Modernization of the Dumbrava 220/110 kV Station – 20,050,687;
- Extension of the Gura Ialomiței 400 kV Station with two cells: LEA 400 kV Cernavodă 2 and 3- 19,336,927;
- Increasing the transmission capacity of LEA 220kV Ștejaru - Gheorgheni - Fântânele - 16,391,660;
- Refurbishment of the Medgidia Sud 110 kV Station – 13,763,833;
- Extension of the 400 kV Cernavodă Station - Stage I+II, Replacement of 2 compensation coils, Connection of new lines – 12,174,582;
- Mobile cells of 110 kV, 220 kV and 400 kV – 11,280,763;
- Stâlpu 400 kV station – 9,408,696;
- • Refurbishment of the Timișoara 110 kV Station and Switching to the 400 kV voltage of the Portile de Fier - Anina - Reșita - Timișoara - Săcălaz - Arad axis, stage II: Timișoara 400 kV Station - 8,900,950;
- LEA 400 kV Gădălin - Suceava, including interconnection to SEN – 8,402,532;
- The purchase and installation of 21 monitoring systems for the transformation units in the CNTEE Transelectrica SA stations - 7,803,360;
- 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 – 6,920,978;
- LEA 220 kV double circuit Ostrovu Mare - RET (H.CA no. 17/2007) – 5,656,026;
- Refurbishment of the 220/110 kV Filești Station – 4,952,367;
- 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 - 4,911,246;
- Integrated security system at electrical stations, stage IV – 4,816,604;
- Modernization of the 110 kV and 400 (220 kV) installations in Focșani Vest Station – 4,510,369;
- LEA 400 kV Suceava - Balti, for the portion of the project on the territory of Romania - 4,439,120;
- • LEA 220 kV deviation Ampoi - Alba Iulia area – 3,429,960;
- Switching to 400 kV voltage of the Portile de Fier - Reșita - Timișoara - Săcălaz - Arad axis, stage II, LEA 400 kV d.c. Resita - Timișoara - Săcălaz - 3,374,984;
- Extension with new functionalities of the control system and computerized record of access to the objectives of CNTEE Transelectrica SA – 3,200,918;

The attached notes are part of the separate financial statements

## CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

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- 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 – 2,889,337;
- Integrated security system at electrical stations, stage III – 2,798,024;
- Metering and data management system for electric energy measurement on the wholesale market - 2,629,227;
- Pilot Project - Refurbishment of the 220/110/20 kV Alba Iulia Station in the concept of a digital station – 2,621,479;
- Deviation LEA 110 kV Cetate 1 and 2 in the vicinity of the 110/20/6 kV Ostrovul Mare Station – 2,578,438;
- 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 – 2,545,853;
- Connection of the 400 kV Isaccea - Varna LV and the 400 kV Isaccea - Dobrudja LV in the Medgidia Sud 400 kV Station Stage II - 400 kV d.c. LV Connections at Medgidia Sud Station – 2,297,034;
- Refurbishment of the Pelicanu 400/110 kV electrical transformer station – 1,934,795;
- Replacement of circuit breakers in electrical stations - Stage II – 1,791,688;
- Executive - DCBPA/CPA: Consolidation, modernization and extension of CNTEE "Transelectrica" headquarters – 1,627,393;
- Center for research and development of working technologies under voltage (LST) and rapid intervention in SEN - stage II -1,533,905;
- 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 - 1,528,380;
- Connection of the 400 kV Isaccea - Varna and 400 kV Isaccea - Dobrudja power lines to the 400 kV Medgidia Sud station, Stage I - Extension of the 400 kV Medgidia Sud Station – 1,277,988;
- Integrated security system at the new (400) 220/110 kV Banca Power Station – 1,133,202;
- LEA 400 kV d.c. (1 c.e.) Constanța Nord – Medgidia Sud – 812,138;
- Installation of two modern reactive power compensation means in the 400/220/110/20kV Sibiu Sud and 400/220/110/20 kV Bradu Stations – 771,441;
- 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–720.143;
- Switching to 400 kV voltage of Portile de Fier - Anina - Reșița - Timișoara - Săcălaz - Arad axis. LEA 400 kV Timișoara - Arad (stage III) – 625,110;
- Modernization of the 220/110/20kV Vetiș Station - primary equipment – 563,503;
- Refurbishment of the 400 kV Isaccea Station - Stage I - Replacement of compensation coils, related cells and the 400 kV Stupina cell – 543,642.

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 - 48,018,186 RON.

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 attached notes are part of the separate financial statements

## CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on December 31, 2022  
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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 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 on December 31, 2022
Lands and land arrangements	-	73,389,705	-	73,389,705
Buildings and special installations	-	-	1,198,705,408	1,198,705,408
Machinery and equipment	-	-	1,542,531,605	1,542,531,605
Measurement and control devices	-	-	118,046,136	118,046,136
Vehicles	-	-	3,660,920	3,660,920
Other tangible fixed assets	-	-	21,242,729	21,242,729
<b>TOTAL</b>	-	<b>73,389,705</b>	<b>2,884,186,798</b>	<b>2,957,576,503</b>

The attached notes are part of the separate financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022  
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	Level 1	Level 2	Level 3	Fair value on December 31, 2021
Lands and land arrangements	-	73,245,428	-	73,245,428
Buildings and special installations	-	-	1,190,061,967	1,190,061,967
Machinery and equipment	-	-	1,515,284,791	1,515,284,791
Measurement and control devices	-	-	106,457,650	106,457,650
Vehicles	-	-	6,683,499	6,683,499
Other tangible fixed assets	-	-	28,238,748	28,238,748
<b>TOTAL</b>	-	<b>73,245,428</b>	<b>2,846,726,655</b>	<b>2,919,972,083</b>

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

The cost value of tangible fixed assets at December 31, 2022 and December 31, 2021, net of accumulated depreciation and amortization expense, is presented below:

	Cost value December 31, 2022	Cost value December 31, 2021
Lands and land arrangements	8,295,208	8,150,931
Buildings and special installations	820,082,447	786,495,103
Machinery and equipment	1,199,830,781	1,122,504,614
Measurement and control devices	110,812,034	96,239,774
Vehicles	3,268,535	5,895,044
Other tangible fixed assets	21,242,729	28,238,748
<b>TOTAL</b>	<b>2,163,531,734</b>	<b>2,047,524,214</b>

## 6. FIXED ASSETS RELATED TO THE RIGHT OF USE OF THE LEASED ASSETS – BUILDINGS

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 9,000,000 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 21,868,658 RON.

For this contract, the Company pays a monthly amount of 16.67 EUR/m<sup>2</sup> (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.

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

	Fixed assets related to the right of use of the leased assets – Buildings	Total
<b>COST</b>		
<b>Balance on January 01, 2021</b>	<b>39,761,197</b>	<b>39,761,197</b>
Inputs, of which:	-	-
Outputs	-	-
<b>Balance on December 31, 2021</b>	<b>39,761,197</b>	<b>39,761,197</b>

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**CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022  
(All amounts are expressed in RON, if not otherwise indicated)

	<b>Fixed assets related to the right of use of the leased assets – Buildings</b>	<b>Total</b>
<b>Balance on January 01, 2022</b>	<b>39,761,197</b>	<b>39,761,197</b>
Inputs, of which:	-	-
Outputs	-	-
<b>Balance on December 31, 2022</b>	<b>39,761,197</b>	<b>39,761,197</b>
<b>CUMMULATED DEPRECIATION</b>		
<b>Balance on January 01, 2021</b>	<b>1,988,060</b>	<b>1,988,060</b>
Depreciation expenses	7,952,240	7,952,240
Cummulated outputs depreciation	-	-
<b>Balance on December 31, 2021</b>	<b>9,940,300</b>	<b>9,940,300</b>
<b>Balance on January 01, 2022</b>	<b>9,940,300</b>	<b>9,940,300</b>
Depreciation expenses	7,952,239	7,952,239
Cummulated outputs depreciation	-	-
<b>Balance on December 31, 2022</b>	<b>17,892,539</b>	<b>17,892,539</b>
<b>ADJUSTMENTS FOR DEPRECIATION</b>		
<b>Balance on January 01, 2021</b>	-	-
Depreciation adjustments expenses	-	-
<b>Balance on December 31, 2021</b>	-	-
Depreciation adjustments expenses	-	-
<b>Balance on December 31, 2022</b>	-	-
<b>ACCOUNTING VALUE</b>		
<b>Balance on January 01, 2021</b>	<b>37,773,137</b>	<b>37,773,137</b>
<b>Balance on December 31, 2021</b>	<b>29,820,897</b>	<b>29,820,897</b>
<b>Balance on December 31, 2022</b>	<b>21,868,658</b>	<b>21,868,658</b>

**7. INTANGIBLE FIXED ASSETS**

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

	<b>Licenses and software</b>	<b>Additional CPT</b>	<b>Intangible fixed assets in progress</b>	<b>Total</b>
<b>COST</b>				
<b>Balance on January 01, 2021</b>	<b>60,884,987</b>	-	<b>5,828,215</b>	<b>66,713,202</b>
Inputs	-	-	683,899	<b>683,899</b>
Transfers from intangible fixed assets in progress	1,034,605	-	(1,034,605)	-
Transfers from tangible fixed assets in progress	905,844	-	-	<b>905,844</b>
Outputs	(281,332)	-	-	<b>(281,332)</b>
<b>Balance on December 31, 2021</b>	<b>62,544,104</b>	-	<b>5,477,509</b>	<b>68,021,613</b>

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**CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

(All amounts are expressed in RON, if not otherwise indicated)

	<b>Licenses and software</b>	<b>Additional CPT</b>	<b>Intangible fixed assets in progress</b>	<b>Total</b>
<b>Balance on January 01, 2022</b>	<b>62,544,104</b>	-	<b>5,477,509</b>	<b>68,021,613</b>
Inputs	-	338,526,677	4,963,001	343,489,678
Transfers from intangible fixed assets in progress	280,978	-	(280,978)	-
Transfers from tangible fixed assets in progress	2,293,165	-	-	<b>2,293,165</b>
Outputs	(766,019)	-	-	(766,019)
<b>Balance on December 31, 2022</b>	<b>64,352,228</b>	<b>338,526,677</b>	<b>10,159,532</b>	<b>413,038,438</b>
<b>CUMMULATED DEPRECIATION</b>				
<b>Balance on January 01, 2021</b>	<b>59,385,394</b>	-	-	<b>59,385,394</b>
Depreciation expense	1,812,292	-	-	1,812,292
Outputs cummulated depreciation	(281,332)	-	-	(281,332)
<b>Balance on December 31, 2021</b>	<b>60,916,354</b>	-	-	<b>60,916,354</b>
<b>Balance on January 01, 2022</b>	<b>60,916,354</b>	-	-	<b>60,916,354</b>
Depreciation expense	1,199,606	13,987,373	-	15,186,979
Outputs cummulated depreciation	(766,019)	-	-	(766,019)
<b>Balance on December 31, 2022</b>	<b>61,349,941</b>	<b>13,987,373</b>	-	<b>75,337,314</b>
<b>ADJUSTMENTS FOR DEPRECIATION</b>				
<b>Balance on January 01, 2021</b>	-	-	<b>351,208</b>	<b>351,208</b>
Depreciation adjustment expenses	-	-	(351,208)	(351,208)
<b>Balance on December 31, 2021</b>	-	-	-	-
Depreciation adjustment expenses	-	-	-	-
<b>Balance on December 31, 2022</b>	-	-	-	-
<b>ACCOUNTING VALUE</b>				
<b>Balance on January 01, 2021</b>	<b>1,499,593</b>	-	<b>5,477,007</b>	<b>6,976,600</b>
<b>Balance on December 31, 2021</b>	<b>1,627,750</b>	-	<b>5,477,509</b>	<b>7,105,259</b>
<b>Balance on December 31, 2022</b>	<b>3,002,287</b>	<b>324,539,304</b>	<b>10,159,532</b>	<b>337,701,123</b>

**a) Intangible assets under construction**

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 – 2,626,762;
- MARI platform development – 1,435,216;
- PICASSO platform development – 375,863;
- GE license - Software module for making capacity calculations based on energy flows – 247,400.

The balance of intangible assets under construction on December 31, 2022, in the amount of 10,159,531 lei, is represented by ongoing projects, the most significant being listed below:

- Implementation of an Electronic Archiving and Document Management system within CNTEE Transelectrica SA – 5,474,290;

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## CNTEE Transelectrica SA

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(All amounts are expressed in RON, if not otherwise indicated)

- 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 – 2,626,762;
- MARI platform development – 1,435,216;
- PICASSO platform development – 375,863;
- GE license - Software module for performing capacity calculations based on energy flows – 247,400.

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 – 2,045,119;
- MENT - RET maintenance application and unitary database - BDU for structures, installations, components and systems - SISC managed by CNTEE Transelectrica SA – 194,354;
- BITDEFENDER Antivirus License Upgrade – 53,936.

### b) *Intangible assets - the additional CPT*

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 338,526,677 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 FIXED 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 4,254,115, 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).
- the increase by 3,000 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 81,745,973 on December 31, 2022, as follows:

Shares held at FORMENERG	1,948,420
Shares held at ICEMENERG	-
Shares held at OPCOM	30,687,300
Shares held at SMART	38,528,600
Shares held at TELETRANS	6,874,430
Shares held at ICEMENERG SERVICE	-
Shares held at BRM	26,000
Shares held at TSC NET	2,207,160
Shares held at Joint Allocation Office SA	1,231,923
Shares held at SELENE CC Societe Anonyme	242,140
<b>Total shares held at affiliated and associated companies</b>	<b>81,745,973</b>

## 9. STOCKS

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

The attached notes are part of the separate financial statements



**CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022  
*(All amounts are expressed in RON, if not otherwise indicated)*

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Spare parts	26,781,042	28,526,819
Consumables and other materials	12,871,102	9,209,510
Auxiliary materials	1,083,200	931,863
Other stocks	1,311,850	1,271,505
<b>Total</b>	<b><u>42,047,194</u></b>	<b><u>39,939,697</u></b>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Adjustments for the depreciation of consumables	8,058,029	7,945,288
Adjustments for the depreciation of other materials	5,887,133	5,796,517
Adjustments for the depreciation of packaging	219,568	219,568
<b>Total</b>	<b><u>14,164,730</u></b>	<b><u>13,961,373</u></b>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Balance on January 1st</b>	<b><u>13,961,373</u></b>	<b><u>12,337,207</u></b>
Registration of adjustments for stock depreciation	911,014	2,450,461
Reversal of adjustments for stock depreciation	(707,657)	(826,295)
<b>Balance at the end of the period</b>	<b><u>14,164,730</u></b>	<b><u>13,961,373</u></b>

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

	<u>2022</u>	<u>2021</u>
Expenses with spare parts	5,734,938	4,889,150
Expenses with other consumables	1,270,645	724,544
Expenses with other materials	2,578,804	1,436,633
Expenses with auxiliary materials	235,624	172,292
Expenses with fuel	3,339,954	2,473,512
<b>Total</b>	<b><u>13,159,965</u></b>	<b><u>9,696,131</u></b>

**10. TRADE RECEIVABLES AND OTHER RECEIVABLES**

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

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**CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022  
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	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Trade receivables	2,393,921,184	2,194,153,312
Other receivables	166,861,679	189,968,790
Advance payments to suppliers	697,015,521	701,351,443
VAT to recover	291,841,166	122,134,375
Adjustments for the depreciation of the uncertain trade receivables	(132,837,163)	(145,107,946)
Adjustments for the depreciation of other receivables	(76,330,845)	(66,918,366)
<b>Total</b>	<b><u>3,340,471,542</u></b>	<b><u>2,995,581,608</u></b>

The structure of the trade receivables is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Clients on the electric energy market, of which	2,392,070,692	2,182,908,347
- clients – operational activity – energy	1,696,470,262	1,408,378,875
- clients – balancing market	564,107,291	566,726,844
- clients – support scheme of bonus type for the promotion of high efficiency cogeneration	131,493,139	207,802,628
Clients from other activities	1,850,492	11,244,965
<b>Total trade receivables</b>	<b><u>2,393,921,184</u></b>	<b><u>2,194,153,312</u></b>

• 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 131,493,139, represented by the invoices issued related to the bonus support scheme for the promotion of high-efficiency cogeneration, of which:

- over-compensation for the period 2011-2013 in the amount of 76,702,140, respectively from RAAN - 63,467,054 and CET Govora SA - 13,235,086;
- undue bonus for 2014 in the amount of 3,914,960, respectively from RAAN – 1,981,235, CET Govora – 1,933,725;
- undue bonus for 2015 in the amount of 563,899, respectively from CET Govora - 534,377, Interagro - 29,523;
- undue bonus for 2020 in the amount of 522,181 from Donau Chem;
- contribution for cogeneration not collected from suppliers of electric energy consumers, in the amount of 21,148,157, respectively from: Transenergo Com - 5,882,073, Petprod - 4,391,193, Romenergy Industry - 2,680,620, RAAN - 2,385,922,

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UGM Energy – 1,504,046, CET Govora – 900,864, KDF Energy – 887,527 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 22,893,841) from CET Govora (15,041,215), BEPCO (4,257,616) and Electrocentrale Bucuresti (3,595. 000), as well as the amount of 32,632,040 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, Electroustilaj 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 Mehedinti Court - Second Civil Section, of Administrative and Fiscal Litigation, file no. 9089/101/2013/a140, having as object "claims for the amount of 86,513,431", 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 86,513,431.

On 19.05.2016, Mehedinti 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 Mehedinti 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 Mehedinti 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 Mehedinti 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 filed against the interim decision no. 10/28.01.2016, pronounced by the Mehedinti 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 11,264,777 lei, in the category of claims resulting from the continuation of the debtor's activity. From the amount requested by the Company, 89,360,986 RON, the amount of 78,096,208.76 RON 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 78,096,209 RON 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 89,360,986.06 RON and the address no. 4162/03.10.2016, by which the trustee in bankruptcy informs us that only the amount of 11,264,777.30 RON was entered in the additional table in the category of claims resulting from the continuation of the debtor's activity, and the amount of 78,096,208.76 RON was rejected, an appeal was submitted, within the legal term, to the Additional Claims Table.

At the trial date on 14.02.2019, the Mehedinti 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.

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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 16,950,117.14 RON, 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 1000 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.

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 40,507,669.

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.

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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 28,200,440.31, of which the amount of 25,557,189.98 is related to the support scheme. We mention the fact that this claim in the amount of 21,962,243.71 RON, 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 28,013,984.83 - 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 22,188,224.16 related to the support scheme in the various debtors account, analytically distinct - ANRE, with an impact on the net position of the support scheme.

The amount of 22,188,224.16 represents the receivable from CET Govora related to the support scheme (in the amount of 25,557,190), 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 3,368,966.

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 **166,861,679** mainly include:

- various debtors (**104,141,631**), of which:

- late payment penalties calculated for non-paying customers, in the amount of 83,242,826 (of which the amount of 35,351,317 represents penalties related to the support scheme). The largest late payment penalties were registered by the clients: RAAN (16,901,449), Romelectro (13,423,865), CET Govora (9,606,504), Electrocentrale București (9,409,174), Eco Energy SRL (8,909,843), Petprod SRL (8,894,655), Total Electric Oltenia (3,288,967), Electromontaj (2,738,705), OPCOM (2,641,146), ICPE Electrocond (1,003,678). 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 (8,395,132), Enol Grup (2,541,312) and Arelco Power (987,555). 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 4,517,460, updated with delay penalties.

- expenses registered in advance in the amount of **9,175,786** represented mainly by: ENTSO-E contribution for 2023 (6,988,906), office building rent and maintenance (734,715), expenses related to the purchase of CPT (666,871), various services (288,277), insurance policies (254,239), OPCOM tariffs (104,708) and others;

- other social claims in the amount of **1,854,583** 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.

### *Advance payments to suppliers*

On December 31, 2022, advances paid to suppliers are represented by debtor suppliers for services in the amount of **697,015,521** 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

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Coupling) (593,613,659 – for ICP, FBMC and SDAC and 103,363,092 – 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 - 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 (291,841,166) – amount related to the statements for the period September - December 2022 and October 2020. On January 13, 2023, the Company collected from the state the amount of 194,295,580, representing the value added tax requested for reimbursement related to September and October 2022.

### ***Adjustments for the depreciation of trade receivables, uncertain trade receivables and for other uncertain receivables***

Transelectrica'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 support scheme.

The largest depreciation adjustments on December 31, 2022, calculated for trade receivables and related penalties, were recorded for CET Govora (25,076,823), Eco Energy SRL (24,736,066), Petprod SRL (23,539,650), Arelco Power (14,788,022), Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Romelectro SA (13,429,126), Elsaco Energy (9,276,118), RAAN (8,516,707), Next Energy Partners SRL (8,395,132). 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 Company for the management of short-term commitments .

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
1. Current accounts at banks and deposits with initial maturities of up to 90 days, of which:	<b>315,060,175</b>	<b>252,110,965</b>
a) Current accounts at banks and deposits with initial maturities of up to 90 days from the current activity	162,387,615	39,926,219
b) Current accounts at banks and deposits with initial maturities of up to 90 days restricted, of which:	152,672,560	212,184,746
- high efficiency cogeneration deposits and cash	96,436,261	157,024,160
- cash and deposits from the incomes related to the allocation of the interconnection capacities used for grid investments	444,471	3,154,664
- cash from connection fee	21,723,989	30,164,016
- European funds	24,774	287,049
- other restricted accounts (energy markets guarantees and dividends)	34,043,065	21,554,857
2. Cash desk	<b>86,221</b>	<b>114,177</b>
3. Other cash equivalents	-	-
<b>Total</b>	<b><u>315,146,396</u></b>	<b><u>252,225,142</u></b>

## 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. EQUITY CAPITALS

### *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.

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## CNTEE Transelectrica SA

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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%).

At the end of each reporting period, the fully subscribed and paid-up capital of the Company, amounting to 733,031,420, 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	December 31, 2022		December 31, 2021	
	Number of shares	% of the share capital	Number of shares	% of the share capital
Romanian state through SGG	43,020,309	58.69%	43,020,309	58.69%
Other shareholders Legal persons	16,006,932	21.83%	16,172,331	22.05%
PAVAL HOLDING	4,753,567	6.49%	4,753,567	6.49%
NN Group NV	4,007,688	5.47%	4,007,688	5.47%
Other shareholders Natural Persons	5,514,646	7.52%	5,349,247	7.30%
<b>Total</b>	<b>73,303,142</b>	<b>100,00%</b>	<b>73,303,142</b>	<b>100,00%</b>

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:

	December 31, 2022	December 31, 2021
Share capital (nominal value)	733,031,420	733,031,420
<b>Balance of the share capital</b>	<b>733,031,420</b>	<b>733,031,420</b>

Shareholders are entitled to dividends and each share confers a right to vote at Company meetings. During 2022, no dividends were granted from the net profit of 2021.

### Issue 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 49,842,552, 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: 146,606,284 as of December 31, 2022 and 137,926,619 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.

### Re-assessment reserves

The re-assessment reserves are in the amount of 703,232,784 on December 31, 2022 and in the amount of 769,348,928 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 39,310,392 compared to 31,145,250 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:

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- 3,280,087 - Relocation of the high voltage LEA 220 kV Lotru-Sibiu Sud grid between poles no. 259 - 263 bis;
- 2,143,791 - Connection to the RET of the CCC 430 MW Iernut production site belonging to SNGN Romgaz SA - SPEE Iernut;
- 986,932 – 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;
- 657,968 - 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;
- 550,569 – LEA Regulation 400 kV Bradu – Braşov - opening of pole no. 393, 394 and 395;
- 545,795 – Relocation of LEA high voltage grid 220 kV Alba-Iulia-Gâlceag, Alba-Iulia-Şuşag, Sebeş-Turda Highway.

### Carried-forward result

The result carried over to December 31, 2022 amounts to 2,196,479,419.

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 66,116,144.

On December 31, 2022, the actuarial loss recorded in the retained earnings amounts to 9,337,005. This amount resulted from the application of the provisions of IAS 19 – Employee benefits (Note 16).

From the net accounting profit achieved on December 31, 2022 in the amount of 514,572,741, the amount of **403,068,559** is allocated to "**Other reserves**", of which:

- the amount of 71,849,896, 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 331,218,663, 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.

### Distribution of net profit on December 31, 2022

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 514,572,741, is as follows:

No.	Destination	Amount (RON)
1	<b>Accounting profit left after deducting the tax on profit on December 31, 2022</b>	<b>514,572,741</b>
	<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	8,679,665
b	Other reserves representing fiscal facilities – payment exemption of the re-invested profit tax	71,849,896
c	Other distributions foreseen by law – incomes achieved in 2022 from the allocation of the interconnection capacity (tax on profit and legal reserve net)	331,218,663
2	<b>Profit remained to be distributed (1-a-b-c)</b>	<b>102,824,517</b>
d	Participation of the employees to profit	-
e	Dividends for shareholders	52,045,231
f	Other reserves set up as own financing sources	50,779,286
g	Not distributed profit	-
3	<b>Total distributions (a+b+c+e+f)</b>	<b>514.572.741</b>

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, approved with amendments by

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## CNTEE Transelectrica SA

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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 (Tl), 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 8,679,665* - 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 71,849,896* - 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 331,218,663* - 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 52,045,231* - 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 50,779,286* - represents the undistributed profit on the destinations presented in the table above, letters a), b), c) and e).

### 14. INCOMES IN ADVANCE

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:

	<b>December 31, 2022</b>	<b>Of which the part on short term on December 31, 2022</b>	<b>December 31, 2021</b>	<b>Of which the part on short term on December 31, 2021</b>
Incomes registered in advance –	16,226,643	16,226,643	7,649,266	7,649,266

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allocation of the interconnection capacity				
Incomes registered in advance – European funds	1,477,186	1,477,186	2,076,417	2,076,417
Funds from connection tariff	256,399,191	14,761,502	260,879,623	14,814,156
European funds	181,971,805	2,884,160	178,667,003	6,137,909
Other subsidied	22,312,819	4,012,947	25,742,927	903,440
<b>Total</b>	<b>478,387,644</b>	<b>39,362,438</b>	<b>475,015,236</b>	<b>31,581,188</b>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Balance at the beginning of the period	31,581,188	28,853,237
Cashing in advance related to the interconnection capacity	115,265,573	38,428,451
Cashing from European funds	680,053	1,091,813
Transfer from long-term advance incomes	(196,896)	(2,913,635)
Incomes from the use of the interconnection capacity	(106,688,196)	(33,452,345)
Incomes from European funds	(1,279,284)	(426,333)
<b>Total</b>	<b>39,362,438</b>	<b>31,581,188</b>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Balance at the beginning of the period	443,434,048	352,028,637
Connection subsidies	3,144,808	3,660,512
Non-reimbursable funds	(9,585,879)	(93,133,164)
Non-reimbursable funds to be restituted	-	-
Transfer to short term advance incomes	27,533,794	203,482,936
Resume of subsidies to incomes	(25,501,565)	(22,604,873)
<b>Total</b>	<b>439,025,206</b>	<b>443,434,048</b>

**15. LOANS****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	<u>December 31, 2022</u>	<u>December 31, 2021</u>
BEI 25709 (i)	35,731,223	47,648,371
BEI 25710 (i)	43,712,604	55,666,125
<b>Total long-term loans from credit institutions, of which:</b>	<b>79,443,827</b>	<b>103,314,496</b>
<b>Less: the current part of the long-term loans</b>	<b>(23,856,053)</b>	<b>(23,859,428)</b>
<b>Total long term loans net of current installments</b>	<b>55,587,774</b>	<b>79,455,068</b>

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

No.	Loan name	Granting date	Loan value (foreign currency)	Balance on December 31, 2022	Balance on December 31, 2022	Installment rate	Maturity according to the loan
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				(foreign currency)	(RON)		
1	BEI 25709	05.08.2010	32,500,000.00 EUR	7,222,222 EUR	35,731,223	3.596%	10.09.2025
2	BEI 25710	05.08.2010	32,500,000.00 EUR	8,835,470 EUR	43,712,604	3.856% și 2.847%	11.04.2028
<b>TOTAL</b>					<b>79,443,827</b>		

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:

	December 31, 2022	December 31, 2021
Between 1 and 2 years	23,856,053	23,859,428
Between 2 and 5 years	31,256,010	54,168,304
More than 5 years	475,711	1,427,336
<b>Total</b>	<b>55,587,774</b>	<b>79,455,068</b>

The Company 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.

**Short term loans**

Short term loans are detailed as follows:

	December 31, 2022	December 31, 2021
Current part of long-term credits	23,856,053	23,859,428
Short term bank credit	67,617,751	-
Interest related to long-term and short-term loans	775,220	1,012,535
<b>Total short-term loans</b>	<b>92,249,024</b>	<b>24,871,963</b>

- *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

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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 200,000,000 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 67,617,751.

## 16. OBLIGATIONS REGARDING BENEFITS OF THE EMPLOYEES

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 30 - Remuneration of the Company's management.

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

- 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>December 31, 2022</u>	<u>December 31, 2021</u>
Jubilee bonuses	41,569,747	29,065,500
Retirement bonuses	28,963,602	15,185,244
Free electric energy for employees	-	15,622,709

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Benefits at the termination of the labor agreement	-	-
Maternity bonuses	-	86,928
<b>Total</b>	<b><u>70,533,349</u></b>	<b><u>59,960,381</u></b>

As of December 31, 2022 and December 31, 2021, the Company has a long-term employee benefit obligation of 70,533,349 and 59,960,381 respectively.

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*(All amounts are expressed in RON, if not otherwise indicated)***16. OBLIGATIONS REGARDING BENEFITS OF THE EMPLOYEES (continued)**

	<b>31 decembrie 2021</b>	<b>Costul dobânzii</b>	<b>Costul serviciului trecut</b>	<b>Costul serviciului curent</b>	<b>Plățile din provizion</b>	<b>Câștig actuarial afereent perioadei</b>	<b>31 decembrie 2022</b>
The benefits related to the jubilees that will be granted to the current employees	<b>29,065,500</b>	1,162,620	-	1,894,822	(2,653,625)	12,100,430	<b>41,569,747</b>
Maternity leave benefits that will be granted to current employees	<b>86,928</b>	-	-	-	-	(86,928)	-
The benefits related to the premiums granted upon the retirement of current employees	<b>15,185,244</b>	607,409	-	1,335,203	(1,110,466)	12,946,212	<b>28,963,602</b>
The benefits related to the premiums granted for the termination of the employment contract	-	-	-	-	-	-	-
Benefits related to the cost of electricity that will be paid to current employees upon retirement	<b>5,608,331</b>	-	-	-	-	(5,608,331)	-
The benefits related to the payment of the electricity bill that will be paid to current pensioners	<b>10,014,378</b>	-	-	-	-	(10,014,378)	-
	<b>59,960,381</b>	<b>1,770,029</b>	-	<b>3,230,025</b>	<b>(3,764,091)</b>	<b>9,337,005</b>	<b>70,533,349</b>

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### 17. COMMERCIAL DEBTS AND OTHER DEBTS

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Suppliers – electric energy market	1,956,548,071	1,893,042,316
Suppliers of fixed assets	138,804,943	158,369,109
Suppliers other activities	55,020,130	38,990,780
Amounts due to employees	9,111,008	8,675,618
Other debts	1,235,969,189	965,489,650
<b>Total</b>	<b>3,395,453,341</b>	<b>3,064,567,473</b>

On December 31, 2022 and December 31, 2021, the outstanding debts on the energy market are in the amount of 1,956,548,071 and 1,896,042,316 respectively, in the following structure:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Suppliers – electric energy market, of which:		
- suppliers – operational activity – energy	1,336,902,867	1,125,210,670
- suppliers – balancing market	583,097,756	549,941,350
- suppliers from the bonus type support scheme for the promotion of high efficiency cogeneration	36,547,448	217,890,296
<b>Total</b>	<b>1,956,548,071</b>	<b>1,893,042,316</b>

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 35,549,294 (RAAN – 32,180,328 and CET Govora SA – 3,368,966), 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 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.

The attached notes are part of the separate financial statements



## CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on December 31, 2022  
(All amounts are expressed in RON, if not otherwise indicated)

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 40,507,669.

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 "**fixed assets suppliers**" on December 31, 2022 compared to December 31, 2021 was due to the making of payments that have reached maturity.

Debts to "**other activity suppliers**" 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 debts" is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Various creditors	389,852,540	145,712,314
Customers – creditors	770,851,018	751,982,307
Dividends to be paid	148,332	234,188
Debts – short term building leasing	8,431,424	8,273,431
Debts – long term building leasing	14,754,992	22,751,934
Other debts	51,930,883	36,535,476
<b>Total</b>	<b><u>1,235,969,189</u></b>	<b><u>965,489,650</u></b>

- „Various creditors”, amounting to **389,852,540** on December 31, 2022, mainly represent:
  - the net position of the support scheme regarding high-efficiency cogeneration, debt position, in the amount of 380,228,767.

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
  - 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
- 6,382,480 solution study contracts for connecting to the RET,
- 1,436,216 royalties quarter IV 2022 and others.

- "Creditor customers", as of December 31, 2022, amount to **770,851,018**, of which 770,033,312 represent amounts received in advance from OPCOM (532,397,996), MAVIR (212,448,453), IBEX (24,540,513) and JAO (646,350) in

The attached notes are part of the separate financial statements

## CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

(All amounts are expressed in RON, if not otherwise indicated)

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 **148,332**. These amounts are available to shareholders through the paying agent.
- On December 31, 2022, "the liability for fixed assets related to the rights of use of leased assets - buildings", according to the provisions of IFRS 16 - Leasing contracts, amounts to 23,186,416, of which:

- short-term debt: 8,431,424  
- long-term debt: 14,754,992.

• "Other debts" in the amount of **51,930,883** are mainly represented by guarantees of payment of contracts on the electric energy market concluded by CNTEE Transelectrica SA in the amount of 34,928,177, VAT not due in the reporting period in the amount of 16,731,966 and others.

### Provisions

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

	<u>31 decembrie 2022</u>	<u>31 decembrie 2021</u>
Provisions for litigations	24,677,889	31,199,387
Provisions for mandate contracts	43,338,686	20,478,148
Other provisions	<u>157,972</u>	<u>11,425</u>
<b>TOTAL</b>	<b><u>68,174,547</u></b>	<b><u>51,688,960</u></b>

Provisions for outstanding litigation on 31.12.2022, in the amount of 24,677,889, are mainly represented by the provisions set up for the following litigations:

- *File 36755/3/2018 – plaintiff Conaid Company SRL (17.216.093)* – more details regarding this file are presented in Note 28 – Commitments and contingencies.
- *File 15561/3/2022 – plaintiff SMART SA (4,467,108)* – more details regarding this file are presented in Note 28 – Commitments and contingencies.
- *File no. 3083/3/2020 - plaintiff NUCLEARELECTRICA SA (1,472,785)*

On 26.06.2020, Nuclearelectrica sued the Company for payment of the amount of 1,290,533 RON representing negative imbalance and 182,252 lei, 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 1,290,533 lei, 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 182,252 RON 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 23,442 RON, 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 2698/2020 22.12.2020).

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 20,592 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 43,338,686, 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 157,972, represent unused holidays.

### 18. TAX ON PROFIT

The attached notes are part of the separate financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022  
(All amounts are expressed in RON, if not otherwise indicated)

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

	<u>2022</u>	<u>2021</u>
Expense with the current tax on profit and deferred tax	(93,212,265)	(20,326,137)
Income from the deferred tax on profit	20,399,113	18,898,139
<b>Total</b>	<b><u>(72,813,152)</u></b>	<b><u>(1,427,998)</u></b>

The Company'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:

	<u>2022</u>	<u>2021</u>
Tax on profit at the statutory rate of 16%	95,571,280	571,588
Effect of the non-deductible expenses	18,320,831	18,098,200
Effect of non-taxable incomes	(9,787,696)	(14,310,025)
Reserve from taxable re-assessment	12,067,879	16,395,593
Legal reserve	(1,388,746)	(15,023)
Exempted tax on profit	(1,936,166)	(1,046,364)
Other effects	<u>(30,099,622)</u>	<u>(16,571,432)</u>
<b>Total</b>	<b><u>(82,747,760)</u></b>	<b><u>(3,122,537)</u></b>

The attached notes are part of the separate financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

(All amounts are expressed in RON, if not otherwise indicated)

**18. TAX ON PROFIT (continued)**

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

Elements	Balance on January 01, 2021	Recognized in profit and loss	Directly recognized in AERG	Balance on December 31 2021	Recognized in profit and loss	Directly recognized in AERG	Balance on December 31 2022
Tangible fixed assets – life cycles	25,913,809	10,391,601	-	36,305,410	5,169,743	-	41,475,153
Tangible fixed assets – reserves from re-assessment	119,724,183	(16,426,739)	-	103,297,444	(12,284,690)	-	91,012,754
Tangible fixed assets financed from subsidies	(3,928,696)	(1,141,435)	-	(5,070,131)	(788,889)	-	(5,859,020)
Obligations regarding the benefits of the employees	(11,622,560)	2,082,899	-	(9,539,661)	(1,745,675)	-	(11,285,336)
Participation of the employees in profit	(626,800)	626,800	-	-	-	-	-
Interconnection estimate	(288,000)	(136,000)	-	(424,000)	(1,336,000)	-	(1,760,000)
Provisions for litigations	(8,070,639)	3,078,737	-	(4,991,902)	1,043,440	-	(3,948,462)
Mandate contracts	(89,465)	89,465	-	-	-	-	-
Stock adjustments	(1,973,953)	(259,867)	-	(2,233,820)	7,463	-	(2,226,357)
<b>Tax (active)/debt</b>	<b>119,037,879</b>	<b>(1,694,539)</b>	<b>-</b>	<b>117,343,340</b>	<b>(9,934,608)</b>	<b>-</b>	<b>107,408,732</b>

The deferred tax consists of:

	Asset		Debt		Net	
	31-dec-22	31-dec-21	31-dec-22	31-dec-21	31-dec-22	31-dec-21
Tangible fixed assets – life cycles	(3,320,074)	(2,970,400)	44,795,227	39,275,810	41,475,153	36,305,410
Tangible fixed assets – reserves from re-assessment	(12,284,690)	(16,426,739)	103,297,444	119,724,183	91,012,754	103,297,444
Tangible fixed assets financed from subsidies	(968,606)	(1,188,032)	(4,890,414)	(3,882,099)	(5,859,020)	(5,070,131)
Obligations regarding the benefits of the employees	(11,285,336)	(9,539,661)	-	-	(11,285,336)	(9,539,661)
Participation of the employees in profit	-	-	-	-	-	-
Interconnection estimate	(1,760,000)	(424,000)	-	-	(1,760,000)	(424,000)
Provisions for litigations	(3,948,462)	(4,991,902)	-	-	(3,948,462)	(4,991,902)
Mandate contracts	-	-	-	-	-	-
Stock adjustments	(2,226,357)	(2,233,820)	-	-	(2,226,357)	(2,233,820)
<b>Net tax (active)/debt</b>	<b>(35,793,525)</b>	<b>(37,774,554)</b>	<b>143,202,257</b>	<b>155,117,894</b>	<b>107,408,732</b>	<b>117,343,340</b>

The attached notes are part of the separate financial statements

**CNTEE TRANSELECTRICA SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022  
(All amounts are expressed in RON, if not otherwise indicated)

**19. RESULT PER SHARE**

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

	<u>2022</u>	<u>2021</u>
<b>Result of the financial year</b>	<b>514,572,741</b>	<b>449,891</b>
Number of ordinary shares at the beginning and end of the period	73,303,142	73,303,142
<b>Basic and diluted result per share (RON/share)</b>	<b>7.020</b>	<b>0.006</b>

**20. OTHER TAXES AND OBLIGATIONS FOR SOCIAL SECURITIES**

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contribution to the social securities funds	9,906,838	10,987,591
Tax on salaries	1,808,335	1,966,512
Other taxes to be paid	1,003,364	1,369,558
<b>Total</b>	<b>12,718,537</b>	<b>14,323,661</b>

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.

**21. OPERATING INCOME**

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>Medium tariff for the transmission service</u>	<u>Tariff for the system service</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

**CNTEE Transselectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022  
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The operating incomes for 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Incomes from the transmission service	1,401,102,535	1,151,786,400
Incomes from the allocation of the interconnection capacity	399,206,024	64,727,434
Incomes from reactive energy	890,513	661,989
Incomes from Inter TSO Compensation (ITC)	4,062,172	3,276,345
Incomes from transactions CPT	79,647,540	31,834,065
<b>Incomes from the transmission service – total</b>	<b>1,884,908,784</b>	<b>1,252,286,233</b>
Incomes from technological system services	488,187,291	622,888,181
Incomes with unplanned exchanges on PZU	147,495	832,233
Incomes from failure aids	45,281,028	-
<b>Incomes from system services – total</b>	<b>533,615,814</b>	<b>623,720,414</b>
<b>Incomes on the balancing market</b>	<b>3,478,995,282</b>	<b>1,822,563,918</b>
Incomes from performances and other operating incomes	50,411,299	56,969,232
Incomes from CPT capitalization	338,526,677	-
<b>Other incomes</b>	<b>388,937,976</b>	<b>56,969,232</b>
<b>Total operating incomes</b>	<b>6,286,457,856</b>	<b>3,755,539,797</b>

*Incomes from the transmission service*

Revenues from the transmission service registered an increase in 2022 compared to 2021 with the amount of 249,316,135, 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 capacity*

Revenues from the allocation of interconnection capacity registered an increase in 2022 compared to 2021, in the amount of 334,478,590, 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 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: Transselectrica 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

## CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

(All amounts are expressed in RON, if not otherwise indicated)

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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 buying 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".

### *Revenue from Inter TSO Compensation (ITC)*

These revenues were higher in the year 2022 compared to the year 2021 with the amount of 785,827, 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.

### *Incomes from CPT transactions*

Revenues from energy trading for CPT were higher in 2022 compared to 2021 with the amount of 47,813,475. 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 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.

### *Incomes from technological system services*

The revenues from technological system services registered a decrease in 2022 compared to 2021 with the amount of 134,700,890, 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 21,579,252 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.

### *Incomes from emergency aids*

The attached notes are part of the separate financial statements

## CNTEE Transelectrica SA

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The income from emergency aid in the amount of 45,281,028 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.

### *Incomes on the balancing market*

The revenues achieved on the balancing market registered an increase in 2022 compared to 2021, with the amount of 1,659,431,364, 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 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 Transelectrica 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.

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- 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) 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.

### *Incomes from the capitalization of the own technologic consumption (CPT)*

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 338,526,677, 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.

## **22. EXPENSES FOR SYSTEM OPERATION AND FROM THE BALANCING MARKET**

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

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	<b>2022</b>	<b>2021</b>
Expenses regarding own technologic consumption	827,587,588	527,638,720
Expenses with congestions	343,157	1,603,452
Expenses regarding the electric energy consumption in RET stations	39,592,130	24,582,005
Expenses regarding the functional system services	30,721	4,022,494
Expenses with Inter TSO Compensation (ITC)	34,109,844	18,562,134
<b>Total operating expenses</b>	<b>901,663,440</b>	<b>576,408,805</b>
<b>Expenses regarding technological system services</b>	<b>466,608,039</b>	<b>609,608,093</b>
<b>Expenses regarding the balancing market</b>	<b>3,479,716,063</b>	<b>1,809,588,063</b>
<b>Total expenses</b>	<b>4,847,987,542</b>	<b>2,995,604,961</b>

*Expenses regarding the own technologic consumption (CPT)*

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.

Expenditures regarding own technological consumption were higher by the amount of 299,948,868 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 343,157, 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

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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 Șânțareni – Bradu LEA, the 400 kV Domnești – Urechești LEA 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 related to electricity consumption in RET and RED stations*

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 15,010,125 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.

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

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 15,547,710 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 143,000,054. 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).

### *Expenses regarding the balancing market*

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The expenses regarding the balancing market made in 2022 in the amount of 3,479,716,063 were higher by 1,670,128,000 compared to those made in 2021. These expenses result from the notifications/achievements of the participants on this market.

### 23. DEPRECIATION

	<u>2022</u>	<u>2021</u>
Expenses with the depreciation of the tangible and intangible fixed assets	249,662,082	266,519,087
Expenses with the depreciation of the intangible fixed assets – additional CPT	13,987,373	-
Expenses with the depreciation of the assets related to the rights of use of the leased assets	7,952,239	7,952,239
<b>Total</b>	<b><u>271,601,694</u></b>	<b><u>274,471,326</u></b>

*Expenses with depreciation of tangible and intangible assets* in the amount of 249,662,082 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 – additional CPT* in the amount of 13,987,373. 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 7,952,239 (the Company partially operates in leased office premises). According to IFRS 16 – Leasing contracts, the right to use the premises leased by the Company in the Platinum office building in Olteni str. no. 2-4 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".

### 24. EXPENSES WITH PERSONNEL

#### i) Expenses with personnel

	<u>2022</u>	<u>2021</u>
Expenses with employee salaries	237,345,247	221,333,896
Social expenses	10,999,383	10,927,344
Expenses with vouchers granted to the employees	12,331,360	8,265,213
Expenses regarding the participation of the employees in the profit obtained in the previous year	-	3,825,122
Expenses related to the mandate contract and other committees, commissions	4,185,241	3,922,827
Expenses with social securities and protection	18,471,937	16,710,178
Provisions set up for salary expenses and assimilated	22,473,018	(21,748,524)
Other expenses	583,548	1,100,146
<b>Total</b>	<b><u>306,389,734</u></b>	<b><u>244,336,202</u></b>

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

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- 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.

*ii) Average number of employees*

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

	<u>2022</u>	<u>2021</u>
Average number of employees	2,042	2,015

**25. OTHER OPERATING EXPENSES**

	<u>2022</u>	<u>2021</u>
Other expenses with services performed by third parties	90,674,738	74,370,738
Postage and telecommunications charges	488,395	907,298
Expenses with royalties and rents	5,996,007	5,146,550
Operating expenses (net) orearding adjustments for the depreciation of the current assets	(2,963,935)	22,304,507
Other expenses, of which	50,793,625	20,695,772
- expenses (net) regarding provisions set up for other operating expenses	(8,964,108)	(37,079,086)
- expenses regarding OAVTs according to the court court decision	4,226,609	9,419,836
- expenses related to taxes and fees (ANRE tax, natural monopoly tax, other local taxes and fees)	18,059,107	22,275,244
- expenses related to international contributions	5,846,885	5,694,756
- expenses with fines and penalties, mainly from litigation	2,067,022	3,058,866
- travel expenses	4,836,805	2,691,651
- expenses regarding energy purchased for administrative consumption	4,775,164	2,057,261
- expenses on goods	2,286,268	1,883,140
- sponsorship expenses	1,789,436	1,720,053
- other non-tax deductible operating expenses	6,060,075	1,670,158
- expenses regarding natural gas purchased	1,896,697	1,344,360
- expenses for the transport of goods and personnel	1,723,403	1,071,690
- environmental protection expenses	347,712	565,155
- expenses with insurance premiums	494,782	514,156
- expenses with banking and similar services	480,988	488,529
- study and research expenses	689,800	358,250
- expenses generated by the Covid-19 pandemic	83,052	194,846
- other operating expenses	4,093,928	2,766,907
<b>Total</b>	<b>144,988,830</b>	<b>123,424,865</b>

In 2022, these expenses registered an increase in the amount of 21,563,965 compared to 2021, mainly determined by the variation of some elements of expenses, such as:

- the increase of some elements of expenses, respectively: expenses with Teletrans maintenance, 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 5,853,759 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)";

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- 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.

### 26. NET FINANCIAL RESULT

	<b>2022</b>	<b>2021</b>
Incomes from interests	2,667,640	2,329,995
Incomes from exchange rate differences	59,585,308	4,137,385
Other financial incomes	2,936,930	(65,228)
<b>Total financial incomes</b>	<b>65,189,878</b>	<b>6,402,152</b>
Expenses with interests	(9,530,505)	(7,654,633)
Expenses from exchange rate differences	(62,352,898)	(7,437,708)
<b>Total financial expenses</b>	<b>(71,883,403)</b>	<b>(15,092,341)</b>
<b>Net financial result</b>	<b>(6,693,525)</b>	<b>(8,690,189)</b>

On December 31, 2022, the Company recorded a net financial result (loss) in the amount of 6,693,525, 1,999,664 lower 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 9,530,505 (interest expenses), the sum of 584,810 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 1,282,950 and the counter value of dividends received from subsidiaries in the amount of 1,537,971.

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:

Currency	<b>31.12.2022</b>	<b>31.12.2021</b>
RON / EUR	4.9474	4.9481
RON / USA Dollar	4.6346	4.3707

### 27. 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.

### 28. COMMITMENTS AND CONTINGENCIES

#### a) Commitments

On December 31, 2022, the Company had commitments in the amount of 953,149,829 representing ongoing contracts for investment works related to the modernization and refurbishment of the transmission grid.

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### *b) Lands used by the Company*

According to the Company'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.

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.

### *c) 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:

- **REGIA AUTONOMĂ PENTRU ACTIVITĂȚI NUCLEARE** (Autonomous Directorate for Nuclear Activities)

On the dockets of the Mehedinți Court – Second Civil Section, Administrative and Fiscal Litigation, it was registered file no. **3616/101/2014**, having as its object "claims in the amount of 1,090,831.70 RON, based on the invoice no. 1300215/31.12.2013", file in which the Company is the defendant, the plaintiff being the Regia Autonomă pentru Activități Nucleare – RAAN (Autonomous Directorate for Nuclear Activities).

By civil sentence no. 127 pronounced on 10.10.2014, the Mehedinți Court ordered the admission of the request made by the Plaintiff RAAN and the obligation of the Company to pay the amount of 1,090,831.70 RON, based on the invoice no. 1300215/ 31.12.2013.

The company filed an appeal by which it requested the Court that, by the decision it will pronounce, to order the admission of the appeal as it was formulated, annul the contested decision and sentences and send the case to the territorially competent court for its trial, acknowledgment that the requirements of art. 1616-1617 of the Civil Code, which is why it is requested to establish the intervention of the legal compensation of the mutual debts and their extinguishment until the the lowest amount among them, in this case the total amount requested by the plaintiff through the sue petition, the obligation of the respondent - plaintiffs to pay the expenses incurred with this appeal.

The appeal was registered before the High Court of Cassation and Justice, which decided to cancel decision no. 843/2015 and sent the case for retrial on appeal to the same court, the Craiova Court of Appeal.

By decision no. 124/2017, the Craiova Court of Appeal admitted the appeal declared by Transelectrica and cancelled sentence no. 127/2014 pronounced by the Mehedinți Court, and the case was sent for retrial to the Bucharest Court - VI Civil Section. On the dockets of the Bucharest Court, the case was registered under no. **40444/3/2017**, which by civil sentence no. 4406/04.12.2017 ordered the admission of the request made by RAAN and obliged Transelectrica to pay the amount of 1,090,831.70 RON. The sentence was appealed. The trial date was set for 13.12.2018.

Within 2014-2015, the Company withheld the bonus due to RAAN on the support scheme, based on the provisions of the ANRE regulations, respectively art. 17 paragraph 5 of the ANRE President's Order no. 116/2013.

In these conditions, RAAN calculated penalties for not collecting on time the due cogeneration bonus, in the amount of 3,496,914 RON, withheld from payment by the Company in the account of unpaid receivables. The amount of 3,496,914 RON was rejected for payment by the Company and was not registered as a debt within the support scheme.

The subject of file number **9089/101/2013/a152** is an appeal against the additional table of claims against the debtor RAAN, the amount in dispute being 89,360,986 RON.

The attached notes are part of the separate financial statements

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Transelectrica SA was entered in the RAAN debtor's table with the amount of 11,264,777 RON, in the category of claims resulting from the continuation of the debtor's activity, but the amount requested by the Company is in the amount of 89,360,986 RON. The amount of 78,096,209 RON was not entered in the preliminary table of claims, 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 78,096,209 RON 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. An appeal was submitted within the legal term to the additional table of claims, the Mehedinti court approving the evidence with the accounting expertise.

At the trial date on 14.06.2018, the trial of the case is suspended until the resolution of file no. 3014/2/2014 pending before the ICCJ, and on 14.02.2019, the Mehedinti Court ordered the connection of file no. 9089/101/2013/a152 to file no. 9089/101/2013/a140 (having as object claims - payment request). Thus, the trial of the file was postponed, as the court considered as useful for the settlement of the case the presentation of 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 the annulment of ANRE President decision no. 743/2014.

The solution of the Mehedinti Court by Decision 163/20.06.2019 is: Accepts the exception of forfeiture. Admits in part the main action as well as the related appeal. Obliges the defendant to pay to the plaintiff the amount of 16,950,117.14 RON, a claim arising during the procedure, ordering its entry in the table of creditors set up against the debtor RAAN with this amount. Rejects the rest of the related requests. Pursuant to art. 453 paragraph 2 Civil Procedure Code. Obliges the defendant to pay the plaintiff 1,000 RON as trial expenses. With appeal. Pronounced in public session. Document Decision 163/20.06.2019.

Transelectrica filed an appeal within the legal term. At the trial date of 06.11.2019, the Craiova Court of Appeal ordered the rejection of Transelectrica's appeal, as unfounded. Final decision. Decision 846/06.11.2019.

Transelectrica has filed a request for review for contrary decisions, registered under File number 1711/54/2019, with a trial date on 26.03.2020 at the Craiova Court of Appeal, which will send the file to the High Court of Cassation and Justice for the settlement competence.

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

On 21.05.2020, the case was removed from the dockets 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 Mehedinti Court postponed to the trial dates on 08.10.2020 and 04.02.2021. The solution in short: a trial date was established 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 on the debtor's assets.

At the trial date on 14.10.2021, the case is postponed, the short solution 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.

At the trial date on 02.06.2022, a trial date is granted for the continuation of the procedure, respectively for the capitalization of the goods, the collection of debts and the fulfillment of the other liquidation operations, and the next trial date is set for the date of 06.10.2022.

At the trial date of 06.10.2022, a trial date was granted for the continuation of the procedure, respectively for the capitalization of the goods, the collection of debts and the fulfillment of the other liquidation operations, and the next trial date is set for the date of 09.02.2023.

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

### • COURT OF AUDIT

As a result of an audit carried out in 2013, the Court of Audit ordered certain measures to be implemented by the Company as a result of deficiencies found during the audit. The decision and conclusion issued by the Court of Audit were appealed at the Bucharest Court of Appeal, file no. **1658/2/2014**, which has as its object "cancellation of control documents" - Conclusion no. 7/20.02.2014 issued by the Board of Audit.

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On 13.06.2018, the plaintiff's action is admitted in part. Partially annuls conclusion no. 7/20.02.2014, decision no. 37/9.12.2013 and control report no. 35521/6.11.2012 issued by the defendant regarding the measures ordered by the decision indicated above at 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 from point II.13 in the sense of removing the phrase "including those found in the case of invoices issued by FLOREA ADMINISTRARE IMOBILIARĂ SRL". Rejects in the rest, the plaintiff's action as unfounded. Approves the electrical energy technical expertise report drawn up in the case by expert Toaxen Vasile. It obliges the defendant to pay the plaintiff the amount of 121,375 RON as trial expenses (partially the expert's fee and judicial stamp duty). Decision document 2771/13.06.2018.

At the High Court of Cassation and Justice, file no. 1658/2/2014 became file no. **2985/1/2021**. The trial date is 24.11.2022. At the trial date on 24.11.2022, appeal solution: the court finds the nullity of the appeal filed by the plaintiff Compania Nationala de Transport al Energiei Electrice 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. Definitive.

During the audit carried out in 2017, the Court of Audit ordered certain measures to be implemented by the Company as a result of deficiencies found during this audit. The company filed a number of 8 appeals against the measures ordered by the Court of Audit of Romania (CCR) by Decision no. 8/27.06.2017, requesting their cancellation, as well as Decision no. 77/03.08.2017, registered at the Company's registry under no. 29117/08.08.2017, respectively of Control Report no. 19211/26.05.2017. The appeals are with settlement in progress - before the Bucharest Court of Appeal (2 files: file no. 6576/2/2017 regarding the annulment of the findings from points 7.1, 7.2. and 8, as well as the measure ordered at point II.10, trial date 20.01.2021, solution: the exceptions of inadmissibility, invoked by the statement of defense, are rejected, the request is rejected, as unfounded - Transelectrica declared an appeal on 19.11.2021, and file no. 6581/2/2017 regarding the annulment of the findings from point 6, as well as the measure ordered in point II.9, with a trial date on 31.03.2023), before the High Court of Cassation and Justice (4 files: file no. 6577/2/2017, regarding the annulment of findings from point 13, as well as the measure ordered in point II.13, which became file no. 1614/1/2020, trial date 01.27.2022, by which the appeal filed by the plaintiff Compania Națională de Transport al Energiei Electrice 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. Definitive, file no. 6578/2/2017, regarding the annulment of the findings from point 9, as well as the measure ordered at point II.11, trial date on 28.06.2022, by which the appeal declared by the plaintiff Compania Națională de Transport al Energiei Electrice Transelectrica S.A. 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 Compania Națională de Transport al Energiei Electrice Transelectrica S.A. against the same sentence, regarding the solution ordered on the request for annulment, as unfounded. Definitive, 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 Compania Națională de Transport al Energiei Electrice Transelectrica S.A. against Civil Sentence no. 1074 of March 8, 2018 and of the Session Conclusion of January 11, 2018, pronounced by the Bucharest Court of Appeal – Section VIII Administrative and Fiscal Litigation, as unfounded. Definitive). Three files were finally settled, by rejecting the annulment request by the Bucharest Court of Appeal and rejecting 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 well as the measure ordered at points II.7 and II.8 and file no. 6582/2/2017 regarding the annulment of the findings from point 11, as well as the measure ordered at point I.5, file no. 6580/2/2017 regarding the annulment of the findings from point 10, as well as the measure provided for in point II.12).

In the period January-July 2020, the Court of Audit of Romania carried out a control action at all Territorial Transmission Units of CNTEE Transelectrica, and in the period 25.05-27.08.2020, the verification action continued at the executive headquarters of the Company. The theme of the CCR's control action was "the control of the situation, the evolution and the way of administration of the public and private patrimony of the state, as well as the legality of the realization of revenues and the execution of expenses for the period 2017-2019" at CNTEE Transelectrica SA.

The control action with the theme stated above, started on 25.05.2020 at the executive headquarters of the Company, was suspended by the CCR due to the start of another control with the theme "control of the way of managing public resources during the state of emergency" ". The control started on 06/02/2020 and was completed on 06/26/2020.

Through the Control Report concluded by the CCR auditors on the subject of "control of the way of managing public resources during the state of emergency", report registered in the Company with no. 24225/26.06.2020, no deficiencies were found, as a result no Decision was issued for ordering measures.

After the completion of the control regarding the way of administration of the public and private patrimony of the state, as well as the legality of the achieving of income and the making of expenses for the period 2017-2019, control completed on 06.10.2020, the Control Report was issued with no. 40507/06.10.2020 and on 09.11.2020, the Court of Audit of Romania, through Department IV, issued Decision no. 15 which contains 10 measures, with a deadline of 31.05.2021, which was extended by the CCR at the request of the Company until 31.12.2021.

The company raised objections and filed Appeal no. 50090/26.11.2020, registered at the Court of Audit with no. 139775/26.11.2020, requesting the cancellation of the measures. As a result of the examination and analysis by the CCR auditors of the Appeal filed by the Company, by the Conclusion no. 2 of 10.03.2021, the cancellation of one of the 10 measures was ordered.

On 02.04.2021, the Company filed an appeal regarding the annulment of the administrative act, file registered at the Bucharest

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Court of Appeal under no. **2153/2/2021**. At the trial date on 10.12.2021, the CAB rejects the sue petition filed by the plaintiff COMPANIA NATIONALĂ DE TRANSPORT AL ENERGIEI ELECTRICE "Transelectrica" SA in opposition to the defendant Board of Audit of Romania, as unfounded. Rejects the request for suspension as unfounded. With the right of appeal within 15 days from the communication and with the right to appeal within 5 days from the communication regarding the head of claim with respect to the suspension; the appeal request to be submitted to the Bucharest Court of Appeal.

- **ANRE (Romanian Energy Regulatory Authority)**

CNTEE Transelectrica SA filed a complaint against ANRE President's Order no. 51/ 26.06.2014 registered at ANRE under no. 47714/04.08.2014 and an appeal to the Bucharest Court of Appeal, which is the subject of file no. **4921/2/2014**, requesting either the modification of the Order indicated above, or the issuing of a new order, in which the RRR value is recalculated at the level of 9.87% (recalculated with a coefficient ( $\beta$ ) of 1.0359, according to Transelectrica's internal analyses) or, to the extent that this request will be rejected, using the same percentage of 8.52% established by ANRE for the year 2013 and the first semester of 2014.

On 26.06.2014, ANRE Order no. 51, published in Official Gazette no. 474/27.06.2014, regarding the approval of the average tariff for the transmission service, the tariff for the system service and the zonal tariffs related to the transmission service, practiced by Compania Națională de Transport al Energiei Electrice "Transelectrica" - SA and repealing appendix no. 1 to the ANRE President's Order no. 96/2013 regarding the approval of the average tariff for the transmission service, the tariff for the system service, the zonal tariffs related to the transmission service and the tariffs for reactive electric energy, practiced by economic operators in the electric energy sector. The values considered in the calculation of the regulated rate of return (RRR) by ANRE according to the Methodology for setting tariffs for the electric energy transmission service approved by ANRE Order no. 53/2013 ("Methodology"), determined an RRR value of 7.7%.

At the trial date on 27.03.2018, the expert's fee charged to the plaintiff was paid and it will be ordered to return with an address to the expert to carry out and file the approved expert report.

At the trial date on 25.09.2018, the solution in short was that an address must be sent to the expert, in order to carry out and submit the expert report to the file, with the mention of proving the impossibility of submitting the expert report by the trial date, in which sense it will order the postponement of the case.

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 rejected with the following brief solution: the exception of inadmissibility was rejected as unfounded. The action was dismissed as unfounded. With appeal within 15 days of communication. Pronounced by making the solution available to the parties, through the mediation of the court registry. Decision 362/2020.

On 16.11.2020, the case is postponed. The solution in short: Pursuant to art. 230 of the Civil Procedure Code, ex officio changes the trial date granted on 17.11.2020 to 11.01.2021. Orders the summoning of the parties with a copy of the trial date change decision. With right of appeal together with the merits.

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. Pronounced today, 11.01.2021, by making the solution available to the parties through the mediation of the court registry.

CNTEE Transelectrica filed an appeal on 08/06/2021.

Trial date at the ICCJ: 11.05.2022. 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."

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We specify that the litigation did not affect the relationship with ANRE nor 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 CNTEE Transelectrica SA requested the court that, by the judgment it will pronounce, to order:

- obliging the defendant OPCOM SA to pay the amount of 4,517,460 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 CNTEE 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 1,293,778.27 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). With appeal throughout the suspension period. Pronounced by making the solution available to the parties through the mediation of the court registry, today, 17.07.2020. Document: Conclusion - Suspension 17.07.2020.

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. Dismisses the action as prescribed. With the right of appeal within 30 days from the communication, which is filed at the Bucharest Court, Civil Section VI. Pronounced by making the solution available to the parties through the mediation of the court registry, today, 03.12.2021. Document: Decision 3021/2021 03.12.2021".

The company filed an appeal.

The court rejects the appeal as unfounded. It obliges the appellant to pay to the respondent the amount of 11,325.21 RON as trial expenses. With appeal within 30 days from the communication of the decision. Pronounced today, October 12, 2022, by making the solution available to the parties through the court registry. Document: Decision 1532/12.10.2022.

Before the Bucharest Court, file no. **24242/3/2021** is pending, in which the plaintiff is OPCOM SA, and CNTEE 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 from loans contracted by CNTEE Transelectrica SA from IBRD, based on loan agreement no. 7181RO/17.07.2003, as well as from CNTEE 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 AGOA 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 trial date on 11.04.2022, the court discussed the exceptions invoked by CNTEE Transelectrica SA, by statement of defense. Also, at this trial date, 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 trial date is set for **16.05.2023** for lack of expert report.

### • CONAID COMPANY SRL

In 2013, Conaid Company SRL sued CNTEE 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 17,419,508 RON and unachieved profits for the period 2013-2033 in the amount of EUR 722,756,000. Until this moment, the Company has not concluded an addendum to the connection contract because the suspensive conditions included in the

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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 object the obligation to issue an administrative act, the procedural stage – appeal, the trial date being 09.12.2015. At this trial date, the High Court of Cassation and Justice admitted, in principle, the appeals and set a trial date for the trial, on the merits, for the appeals on April 8, 2016. Panel 4, with the summoning of the parties.

The judgment of the case was postponed to 17.06.2016, when the court reserved judgment, postponing the judgment to 29.06.2016, when it issued Decision no. 2148/2016, by which it ordered as follows: "Rejects the exceptions invoked by the appellant-plaintiff Conaid Company S.R.L., through the official RVA Insolvency Specialists SPRL and by the appellant-defendant Compania Națională de Transport a 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. cancels the contested conclusion and the sentence in part and sends the case to the Bucharest Court – Civil Section VI for the settlement of the plaintiff's action against Compania Națională de Transport a Energiei Electrice 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 official receiver 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 filed 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 dockets 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 filed at the Bucharest Court, Civil Section VI and is available to the parties through the registry, on 23.11.2017.

On 02.11.2018, at the Bucharest Court - VI Civil Section - a new sue petition was registered by Conaid Company SRL, in file no. **36755/3/2018**, by which the plaintiff requested the court to order 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 17,216,093.43 RON, consisting of the damage actually suffered and the unachieved benefit, provisionally estimated at 100,000 EUR. 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 trial date on 15.10.2019, rejects as unfounded the exceptions of lack of active procedural quality and lack of interest. It unites with the merits the prescription exception. With appeal together with the merits. Pronounced by making the solution available to the parties through the mediation of the court registry.

Grants a trial date for the continuation of the investigation of the process on 26.11.2019, with the summoning of the parties. With appeal together with the merits. 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 trial date on 21.01.2020 is granted.

On 21.01.2020, the case is postponed to carry out the expertise and the next trial date is established for 31.03.2020.

At the trial date on 31.03.2020, the short solution was as follows: Suspended by right 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 trial date is set for 28.09.2022, in order to administer the evidence with expertise.

On 28.09.2022, the case is adjourned due to the lack of response to the objections and the next trial date is granted for 12/07/2022.

On 07.12.2022, the case is postponed due to the lack of response to the objections and the next trial date is granted for 22.02.2023 and subsequently **03.05.2023** also for the same case.

### • ROMENERGY INDUSTRY

File no. **2088/107/2016** before the Alba Court has as its object "Bankruptcy - Application for enrollment in the statement of affairs".

Transelectrica submitted an application for registration in the statement of affairs with the amount of 16,112,165.18 RON, and the claim was admitted and entered in the preliminary table.

The attached notes are part of the separate financial statements

## CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

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The solution in short: Establishment of a trial date for 14.10.2019, for the continuation of the bankruptcy procedure, through the capitalization of assets and the recovery of debts. The trustee in bankruptcy will draw up and 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.

At the trial date on 27.01.2020, a verification term on 11.05.2020 is set for the continuation of the bankruptcy procedure, through the capitalization of assets and the recovery of debts.

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 trial date on 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 were approved.

At the trial date on 05.10.2020, the case was postponed. The solution in short: a trial date on 18.01.2021 was set for the continuation of the bankruptcy procedure, through the capitalization of the assets owned by the debtor.

The case was postponed to the trial date on 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 were approved.

At the trial date on 27.09.2021, a trial date on 31.01.2022 was set for the continuation of the bankruptcy procedure, through the capitalization of assets and the recovery of debts.

At the trial date on 31.01.2022, a trial date on 16.05.2022 is set for the continuation of the bankruptcy procedure, through the capitalization of assets and the recovery of debts.

At the trial date on 16.05.2022, a trial date on 19.09.2022 is set for the continuation of the bankruptcy procedure, through the capitalization of assets and the recovery of debts.

At the trial date on 19.09.2022, a trial date on 12.12.2022 is set for the continuation of the bankruptcy procedure, through the capitalization of assets and the recovery of debts.

At the trial date on **12.12.2022**, the court approves the final report drawn up by the trustee in bankruptcy 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 trustee in bankruptcy are relieved of any duties or responsibilities regarding the procedure, the debtor and its assets, creditors and shareholders. With right of appeal within 7 days of communication through BPI.

### • REȘIȚA Municipality

File no. **2494/115/2018\*** - file no. **2494/115/2018\*\***, registered at the Caraș Severin Court, has as its object the sue petition, by which the plaintiff Reșița Municipality requests to oblige the defendant Transelectrica SA to pay the following amounts:

- 2,129,765.86 RON, representing the rent for the temporarily occupied land area from the forestry fund related to 2015;
- 2,129,765.86 RON, representing land rent related to 2016;
- 2,129,765.86 RON, representing land rent related to 2018;
- 2,129,765.86 RON, representing land rent related to 2019;
- 2,129,765.86 RON, representing land rent related to 2020;
- 2,129,765.86 lei, representing land rent related to 2021;
- penalty legal interest from the due date until actual payment.

The solution in short: Accepts the exception of territorial non-jurisdiction of the Caraș-Severin Court. It declines the competence to settle the request made by the plaintiff Reșița Municipality - through the mayor, in opposition to the defendant Compania Națională de Transport a Energiei Electrice "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 session. Decision 313/11.03.2019.

At the trial date on 25.10.2019, the exception of the territorial incompetence of the Bucharest Court is admitted. It declines the competence to settle the case in favor of the Caraș-Severin Court. It states that there is a negative conflict of jurisdiction between the Bucharest Court and the Caraș-Severin Court. It suspends the case and forwards the file to the High Court of Cassation and Justice, in order to settle the negative conflict of jurisdiction. No appeal. The ruling will be made by making the solution available to the parties through the mediation of the court registry. Decision 2376/25.10.2019.

The High Court of Cassation and Justice at trial date on 16.07.2020, by decision no. 1578, established the competence to settle the case in favor of the Caraș Severin Court – Civil Section I.

At the trial date on 16.11.2020, the court adjourned the case and granted time to study the documents submitted to the case file at this trial date by the representative of CNTEE Transelectrica SA, setting a new trial date on 22.03.2021.

At the trial date on 22.03.2021, the solution in short is: Suspends the judgement of the sue petition filed by the plaintiff Reșița Municipality, through the Mayor, in opposition to the defendant Compania Națională de Transport al Energiei Electrice "Transelectrica" SA, having as object claims, based on art. 413 paragraph (1) point 1 of the Civil Procedure Code. With appeal on how long does the suspension of the course of trial lasts, to the hierarchically superior court.

## CNTEE Transelectrica SA

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*(All amounts are expressed in RON, if not otherwise indicated)*

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The suspension of the judgement of the case was ordered until the final settlement of file no. 3154/115/2018\* of the Caras Severin Court.

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 03/02/2023.

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."

- **SMART SA**

File no. **15561/3/2022**, registered on the dockets of the Bucharest Court, has as object the sue petition, by which the plaintiff SMART SA requests the obligation of the defendant Transelectrica SA to pay the amount of 4,467,108 RON, representing the amount of tax obligations related to the increased income as a result of the increase in the tax base resulting from the adjustment of income for the years 2014, 2015 and 2016 + trial expenses.

A trial date was set in court on **23.03.2023**.

- **ANAF**

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, ANAF - DGAMC 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 technological services (STS) invoiced 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 99,013,399 RON, ANAF – DGAMC established additional fiscal obligations to be paid by the Company, in the amount of 35,105,092 RON, as well as additional fiscal obligations (interest/late increases and delay penalties), in the amount of 63,908,307 RON.

Mainly, the Fiscal Inspection Report of ANAF recorded the following additional payment obligations: profit tax in the amount of 13,726,800 RON, 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 work point in the Millenium Business Center building in str. Armand Călinescu nr. 2-4, sector 2, where the Company was operating), documents with special regime.

These invoices were the subject of a dispute with ANAF, which issued a fiscal inspection report on September 20, 2011, through which it was estimated the VAT collected for a number of unused invoices identified as missing.

The company appealed within the legal term, according to the Governmental Ordinance no. 92/2003 on the Fiscal Procedure Code, Taxation Decision no. F-MC 439/30.06.2017.

ANAF issued enforceable title no. 13540/22.08.2017 based on which there were executed the additional payment obligations established by the Taxation Decision no. F-MC 439/30.06.2017.

The company requested the cancellation of enforceable 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 appeal. Pronounced in public session from 08.02.2018. Document: Decision no. 478/2018 of 08.02.2018.

Following the denial of jurisdiction, the case file no. 8993/299/2018, by which the Company challenged the forced execution started pursuant to enforceable 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, ANAF notified to the Company the Decision no. 122/13.03.2018 rejecting as unmotivated the appeal filed by CNTEE Transelectrica SA, the decision being received on 16.03.2018, after the submission of the sue petition 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 appellant. Based on art. 413 para. (1) point 1 of the civil procedure code, it 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

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suspension, the request for appeal will be submitted to the District 1 Court of Bucharest. Pronounced in public session - Document: Conclusion - Suspension 04/17/2018.

On the dockets of the Court of Appeal it is file no. 1802/2/2018 by which the Company challenged the fiscal administrative act Decision no. F-MC 439/30.06.2017.

At the trial date on 06.11.2018, the presentation of evidence was admitted with the expertise in the accounting - taxation specialization. Trial date: 12.05.2020.

At the CAB trial 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 trial date on 20.10.2020, the request was partially admitted with the following brief solution: the lis pendens requests were partially admitted, 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 Settlement 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 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 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 18,522,280 RON, VAT in the amount of 5,694,636 RON and the fiscal accessories related to these main fiscal debits, in the amount of 48,436,653 RON, fiscal obligations established for the 349 fiscal invoices with special regime found missing from the management of the plaintiff. - removes the non-deductible nature of the taxable profit calculation of the amount of 27,001,727 RON, 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 343,629.91 RON, 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 230,685,491 lei, 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 46,417.1 RON, related to the amount of 343,629.91 RON, representing "weed removal services" and the obligation to pay the main and accessory fiscal claims in relation to this amount - removes the non-deductibility of VAT in the amount of 37,693.88 related to the amount of 230,685.49 RON, 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 observation regarding the obligation of the Sibiu Transmission Branch within CNTEE Transelectrica S.A to register the amount of 576,846.80 RON as taxable income, at the latest on 30.06.2010, the date on which the registration of the verified unit was accepted at the statement of affairs with this amount, the observation regarding the nature of income taxable when calculating the profit of the amount of 576,846.80 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 Governmental Decision 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 - removal from the Minutes, 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 13,141 RON" (appendix no. 15) and the obligation to pay the main and ancillary fiscal claims in relation to this amount - 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 have been maintained to the court by this decision, as established by Taxation Decision no. F- MC 439/30.06.2017, issued on 12.07.2017, by the National Agency for Fiscal Administration – General Directorate for the Administration of Large Taxpayers, Taxation Decision no. F-MC 439/30.06.2017, issued by the National Fiscal Administration Agency - General Directorate for the Administration of Large Taxpayers and by 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 Agency for Fiscal Administration - General Directorate for Resolution of Appeals. Keeps the other provisions contained in Decision no. 122/13.03.2018, regarding the settlement of the appeal against Taxation Decision no. F-MC 439/30.06.2017, issued by the National Agency for Fiscal Administration - General Directorate for the 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, in the rest, the lis pendens requests as unfounded. Rejects as unfounded the request for trial expenses consisting of the judicial stamp duty. It obliges the defendants, jointly and severally, to pay to the plaintiff the trial expenses in the amount of 4,000 RON, 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 petition to be submitted to the Bucharest Court of Appeal. Decision no. 382/20.10.2020.

The parties appealed in March 2022.

On 12.04.2022, the Bucharest Court of Appeal adjourned the case to 10.05.2022, in order to give the plaintiff the opportunity to learn about the content of the statement of defense.

At the meeting on 24.05.2022, the CAB rejects as unfounded the request for clarification and completion of the operative part. Accepts the request to correct the material error in the sense that the amounts of money as main and accessory tax obligations,

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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.

### • Others

The company is involved in significant litigation, especially for the recovery of receivables (e.g.: Petprod SRL, Total Electric Oltenia SA, Regia Autonomă de Activită Nucleară, Romenergy Industry SRL, Energy Holding SRL, UGM Energy Trading SRL, CET Iași, CET Bacău, CET Brăila, CET Govora, CET Brașov, Elsaco Energy SRL, Arelco Power SRL, Arelco Energy SRL, Opcom, Menarom PEC SA Galati and others).

The Company recorded adjustments for value losses on customer and other receivables in dispute and for customers in bankruptcy.

At the same time, the Company is also involved in litigation with former members of the Directorate and the Supervisory Board, regarding the mandate contracts concluded between the Company and them. For these disputes, the company has created a provision.

### d) Guarantees

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

	<u>2022</u>	<u>2021</u>
<b>Granted guarantees, of which:</b>	<b><u>624,376,565</u></b>	<b><u>346,250,155</u></b>
- granted guarantee letters – production	152,869,578	86,624,958
- granted guarantee letters – investments	64,006,987	84,625,197
- other granted guarantees	407,500,000	175,000,000
<b>Guarantees received, of which</b>	<b><u>827,377,453</u></b>	<b><u>668,519,746</u></b>
- received guarantee letters – production	388,085,691	257,094,508
- received guarantee letters – investments	390,981,453	363,099,687
- other received guarantees	48,310,309	48,325,551

### 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 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) Re-assessment reserves on December 31, 2022**

On December 31, 2022, re-assessment reserves amount to 703,232,784 (on December 31, 2021: 769,348,928).

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 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

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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.

- **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:	RON/MWh	23.96	28.10
<i>Transmission tariff – component to introduce electric energy in the grid</i>	RON/MWh	1.49	2.53
<i>Transmission tariff – component to extract electric energy from the grid</i>	RON/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	RON/MWh	9.32

### g) Contingencies

On December 31, 2022, **the contingent liabilities** amount to 36,303,031 RON. 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 ENERGMONTAJ SA (7,092,389)*

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;

The attached notes are part of the separate financial statements

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- 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.

Presentation of evidence/expertise, trial date: 23.02.2023. Postpone the pronouncement to 03.03.2023.

At the term of 03.03.2023, the solution is: Rejects the objections to the accounting expert's report formulated by the defendant Compania Naționala de Transport al Energiei Electrice TRANSELECTRICA SA, 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 (10,000,000)*

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*.

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.

Given the lack of the expert report, at the court 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 (3,523,710)*

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.

Given the lack of the expert report, at the court date of 03.03.2023, the case is postponed to **04.28.2023**, for the submission of the expert report.

• *File no. 22368/3/2021 – plaintiff Romelectro (2,275,653)*

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 (2,271,075)*

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 Emergency Governmental Ordinance no. 114/2018 in the

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Explanatory notes to the financial statements for the financial year ended on December 31, 2022

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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 (4,433,591)*

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 (2,437,253)*

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."

Due the lack of the expert report, at the court date of 03.10.2023, the case is postponed to **05.05.2023**.

• *File no. 8440/3/2022 – plaintiff Tempos Sev (2,437,253)*

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 term on 08.11.2022, the solution in: "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 (1,429,832)*

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, 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 (402.274)*

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 Vetiș 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

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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 delay 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.

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.

## 29. AFFILIATED PARTIES

### i) Branches held by the Company

<u>Entity</u>	<u>Country of Origin</u>	<u>December 31, 2022</u> <u>% of shares</u>	<u>December 31, 2021</u> <u>% of shares</u>
SMART SA *)	Romania	100	100
TELETRANS SA	Romania	100	100
ICEMENERG SA **)	Romania	-	-
OPCOM SA	Romania	97.84	97.84

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FORMENERG SA	Romania	100	100
ICEMENERG SERVICE SA	Romania	100	100

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

The gross value of the Company's holdings in its subsidiaries is as follows:

- **SMART SA**

The SMART SA company with 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, which main object of activity is the performance of maintenance works for the transmission-dispatcher system, was established by the Government Decision no. 710/19.07.2001 on November 1, 2001.

The Extraordinary General Meeting of S Smart SA Shareholders approved with Resolution no. 14/10.12.2014 the capital increase of S Smart SA by contribution in kind with the value of the lands for which a certificate of attestation of the ownership right was obtained.

On 30.12.2014, the Trade Registry Office attached to the Bucharest Court settled the request for registration of the increase in the share capital of S Smart SA.

Starting with the date of 25.01.2016, the change regarding the shareholding structure of S Smart SA, respectively the observation regarding the administration of the state portfolio, was made at the National Office of the Trade Register, an imposed change, according to art. 10 of the Emergency Governmental Ordinance no. 86/2014, amended and updated.

Thus, on December 31, 2022, the share capital of SMART SA is 38,528,600, divided into 3,852,860 registered shares, each share having the value of 10 RON, subscribed and paid in full by the Company.

- **TELETRANS SA**

The company TELETRANS SA with 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 has as its main object of activity IT process and managerial maintenance services, specific telecommunications and information technology services in RET, telephony, data transmissions and was established by Resolution no. 13/2002 of the General Meeting of the Shareholders.

The share capital on December 31, 2022 is of 6,874,430, fully subscribed and paid.

- **ICEMENERG SA**

The Subsidiary Company Institutul de Cercetări și Modernizări Energetice (Energy Modernization and Research Institute) – ICEMENERG SA with registered office in B-dul Energeticienilor, nr. 8, sector 3, Bucharest has as its main object of activity research and development in physical and natural sciences, innovation, studies, development strategies, design activities, urban planning, engineering and other technical services and was established by the Governmental Decision no. 1065/04.09.2003.

In the Company's accounting records, on December 31, 2021, the share capital of the Icemenerg SA Branch is of 1,083,450, fully subscribed and paid.

\*\*) On 04.07.2014, the file with registration number 121452/04.03.2014 was admitted by the National Office of the Trade Registry, having as object the deletion of Institutul de Cercetări și Modernizări Energetice (Energy Modernization and Research Institute) – ICEMENERG SA Bucharest Branch. By Order no. 123/13.03.2014 (deed of registration and authorization of operation), was registered at the Trade Registry " Institutul Național de Cercetare-Dezvoltare pentru Energie București " (HGR no. 925/2010). The company filed a complaint against the resolution of the ORC director ordering the registration in the trade register of the deletion of the ICEMENERG SA Bucharest Branch.

Bucharest Court, VI Civil Section, by Sentence no. 3569/14.07.2014 pronounced in file no. 15483/3/2014, in which the Company was in conflict with the defendants Institutul de Cercetări și Modernizări Energetice "Icemenerg" S.A. Branch Bucharest and Institutul Național de Cercetare-Dezvoltare pentru Energie -Icemenerg Bucharest, rejected the Company's complaint, motivated by the fact that the Governmental Decision no. 925/2010 was not repealed until the time of deletion at the Trade Register Office. The Court of Appeal communicated on 24.02.2015 the solution pronounced in file no. 15483/3/2014 namely Decision no. 173/2015, by which it rejected the appeal of CNTEE Transelectrica SA as unfounded, the decision being final.

Against Decision no. 173/2015, pronounced by the Bucharest Court of Appeal, Transelectrica SA filed an appeal for annulment, which is the subject of file no. 1088/2/2015, pending at the Bucharest Court of Appeal - Civil Section VI, with a trial date of 13.05.2015. On 13.05.2015, by Decision no. 777/2015, the Bucharest Court of Appeal rejected the annulment appeal as unfounded, the decision being final.

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In 2015, the company registered a depreciation adjustment in the amount of 1,083,450 for the shares held at the Institutul de Cercetări și Modernizări Energetice – ICEMENERG SA Bucharest Branch, which was written off.

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

- **OPCOM SA**

The company OPCOM SA with headquarters in Bdul Hristo Botev nr. 16-18, sector 3, Bucharest, with legal personality, has as main object of activity the organization, administration and supervision of the energy market and was established by the Governmental Decision no. 627/2000.

Registration of the amendment to the articles of incorporation of S OPCOM SA, based on AGEA Decision no. 6/15.06.2016, was carried out at ONRC according to the Certificate of Registration of Observations dated 11.07.2016.

On 31.12.2018, the share capital represented by the increase with the in-kind contribution of the Company in the amount of 22,587,300 is recorded in the financial statements subject to the approval of the General Meeting of the Shareholders by OPCOM, being presented as fully subscribed and unpaid share capital.

On 13.02.2018, the Extraordinary General Meeting of the OPCOM SA Branch approved the increase of the share capital of the Company Operatorul Pieții de Energie Electrică și de Gaze Naturale OPCOM SA ("OPCOM SA") with the amount of 678,790 RON through a contribution in kind represented by the value the land for which the company obtained the Certificate of Attestation of the right of ownership over the land series M03 no. 12899/27.02.2014, issued by the Ministry of Economy. The contribution in kind was assessed by an expert evaluator appointed by ONRC. In exchange for the contribution in kind to the share capital, the company issued to the new shareholder the Romanian State through the Ministry of Economy, which exercised from the date of the AGEA decision the duties of an involved person, a number of 67,879 new registered shares with a nominal value of 10 RON each.

On 20.03.2019, the National Office of the Trade Registry attached to the Bucharest Court settled the request for registration of the share capital increase of OPCOM SA.

On December 31, 2022, the share capital is of 31,366,090, of which 8,778,790 represents subscribed and fully paid share capital. The difference in share capital in the amount of 22,587,300 is represented by the Company's in-kind contribution, respectively by intangible assets - "OPCOM Commercial Electric Energy Exchange" and "OPCOM Regional Electric Energy Exchange", financed from the Company's own sources and from IBRD funds and assessed according to Assessment Report no. 786/15.03.2016 issued by JPA Audit & Consultancy SRL.

On December 31, 2022, the share capital of OPCOM SA is of 31,366,090 RON, representing a number of 3,136,609 registered shares with a share value of 10 RON and a participation share of CNTEE Transelectrica SA in profits and losses of 97.84%.

- **FORMENERG SA**

FORMENERG SA company with headquarters in B-dul Gh. Șincai, nr. 3, sector 4, Bucharest, with legal personality, has as its main object of activity the initial and continuous professional training in all fields of activity of energy personnel, as well as of other beneficiaries, and was established by the Decision of the General Meeting of the Shareholders no. 33/2001.

The share capital on December 31, 2022 is of 1,948,420, fully subscribed and paid.

- **ICEMENERG SERVICE SA**

By the Governmental Decision no. 2294/09.12.2004, it was approved the transfer of the shareholding held by the Branch "Institutul de Cercetări și Modernizări Energetice - ICEMENERG" - S.A. Bucharest at the Branch "ICEMENERG-SERVICE" - S.A. Bucharest to Compania Națională de Transport al Energiei Electrice "Transelectrica" - S.A.

In 2016, the company registered a depreciation adjustment in the amount of 493,000 for the shares held at the ICEMENERG SERVICE SA Branch.

The share capital on December 31, 2022 is 493,000, fully subscribed and paid.

On 09.06.2017, the Bucharest Court, VIIth Civil Section, ordered the entry into bankruptcy through the simplified procedure of the debtor Branch Company ICEMENERG SERVICE – SA, appointing Solvendi SPRL as provisional trustee in bankruptcy.

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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 Developments 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.

### ii) *Affiliated parties – main economic-financial indicators achieved by the Subsidiaries of the Company on 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:

<b>Indicator name</b>	<b>SMART</b>	<b>TELETRANS</b>	<b>OPCOM</b>	<b>FORMENERG</b>	<b>ICEMENERG SERVICE</b>
Turnover	92,608,103	36,661,589	41,151,957	1,830,592	8,820
Gross profit / (Loss)	1,289,184	1,825,265	11,153,277	(2,444,389)	(28,800,383)
Paid share capital	38,528,600	6,874,430	31,366,090	1,948,420	493,000
Unpaid share capital	-	-	-	-	-
Reserves	20,804,348	16,075,839	9,010,773	250,164	12,709
Current capital - total	88,085,798	29,324,691	47,072,099	3,490,567	(28,036,633)

### iii) *Affiliated parties – transactions with the Subsidiaries held by the Company*

As of December 31, 2022 and December 31, 2021, the balances with the subsidiaries owned by the Company are detailed as follows:

<b>Affiliated company</b>	<b>Commercial receivables</b>		<b>Commercial liabilities</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
SMART SA	341,310	713,183	18,350,272	8,944,881
TELETRANS SA	176,323	145,830	14,692,419	13,435,678
FORMENERG SA	-	-	-	-
OPCOM SA	654,372,119	634,763,661	647,260,234	627,502,394
<b>TOTAL</b>	<b>654,889,752</b>	<b>635,622,674</b>	<b>680,302,925</b>	<b>649,882,953</b>

Transactions carried out in 2022 and 2021 with its subsidiaries are detailed as follows:

<b>Affiliated entity</b>	<b>Selling</b>		<b>Purchase</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
SMART SA	990,223	681,299	100,797,374	86,090,412
TELETRANS SA	1,314,770	428,161	42,553,251	32,623,984
FORMENERG SA	-	-	38,926	-
OPCOM SA	6,971,350,943	2,257,962,163	2,069,009,809	1,171,195,512
<b>TOTAL</b>	<b>6,973,655,936</b>	<b>2,259,071,623</b>	<b>2,212,399,360</b>	<b>1,289,909,908</b>

In 2022, the Company collected dividends from OPCOM and TELETRANS subsidiaries, amounting to 1,532,371.

### iv) *Affiliated parties – transactions with other state-owned companies*

The company is an entity with majority state capital.

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

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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).

### 30. 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>2022</u>	<u>2021</u>
<u>Employees with Individual Labor Contract in management positions</u>		
Short-term benefits	26,231,964	25,180,951
Other long-term benefits	390,074	246,351
<u>Members of the Directorate and Supervisory Board</u>		
Fixed component	4,990,141	3,975,089
Variable component	-	-
<b>Total</b>	<b><u>31,612,179</u></b>	<b><u>29,402,391</u></b>

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.

### 31. 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 attached notes are part of the separate financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

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 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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Financial instrument with fixed interest rate</b>		
Financial debts	80,219,047	104,327,031
<b>Financial instrument with variable interest rate</b>		
Financial debts	67,617,751	-

**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 Company's exposure to currency risk, expressed in RON, was:

<b>December 31, 2022</b>	<u>Value</u>	<u>RON</u>	<u>EUR</u>	<u>USD</u>
<b>Monetary assets</b>				
Cash and cash equivalents	315,146,396	249,274,083	65,861,283	11,030
Other financial assets	-	-	-	-
Receivables	<u>3,340,471,542</u>	<u>1,959,994,010</u>	<u>1,380,477,532</u>	<u>-</u>
<b>Gross exposure</b>	<u><b>3,655,617,938</b></u>	<u><b>2,209,268,093</b></u>	<u><b>1,446,338,815</b></u>	<u><b>11,030</b></u>
<b>Monetary debts</b>				
Suppliers and other obligations	3,408,171,878	1,928,693,999	1,479,477,879	-
Loans	<u>147,836,798</u>	<u>67,617,751</u>	<u>80,219,047</u>	<u>-</u>
<b>Gross exposure</b>	<u><b>3,556,008,676</b></u>	<u><b>1,996,311,750</b></u>	<u><b>1,559,696,926</b></u>	<u><b>-</b></u>
<b>Net exposure in the statement of the financial position</b>	<u><b>99,609,262</b></u>	<u><b>212,956,343</b></u>	<u><b>(113,358,111)</b></u>	<u><b>11,030</b></u>
<b>December 31, 2021</b>	<u>Value</u>	<u>RON</u>	<u>EUR</u>	<u>USD</u>
<b>Monetary assets</b>				
Cash and cash equivalents	252,225,142	246,056,817	6,145,589	22,736
Other financial assets	-	-	-	-
Receivables	<u>2,995,581,608</u>	<u>2,560,571,277</u>	<u>435,010,331</u>	<u>-</u>
	<u><b>3,247,806,750</b></u>	<u><b>2,806,628,094</b></u>	<u><b>441,155,920</b></u>	<u><b>22,736</b></u>

The attached notes are part of the separate financial statements

**CNTEE Tranelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

<b>Gross exposure</b>				
<b>Monetary debts</b>				
Suppliers and other obligations	3,078,891,134	2,379,194,861	699,696,273	-
Loans	104,327,031	-	104,327,031	-
<b>Gross exposure</b>	<b>3,183,218,165</b>	<b>2,379,194,861</b>	<b>804,023,304</b>	<b>-</b>
<b>Net exposure in the statement of the financial position</b>	<b>64,588,585</b>	<b>427,433,233</b>	<b>(362,867,384)</b>	<b>22,736</b>

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 exchange rate		Exchange rate on	
	2022	2021	December 31, 2022	December 31, 2021
RON/ EUR	4.9315	4.9204	4.9474	4.9481
RON/ USD	4.6885	4.1604	4.,6346	4.3707
			<b>Loss 2022</b>	<b>Loss 2021</b>
EUR			(11,335,811)	(36.286.738)
USD				
JPY				
<b>Total</b>			<b>(11,335,811)</b>	<b>(36.286.738)</b>

**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:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Financial assets</b>		
Net trade receivables	2,261,084,021	2,049,045,366
Other net receivables and advanced to suppliers	787,546,355	824,401,867
VAT to recover	291,841,166	122,134,375
Cash and cash equivalents	315,146,396	252,225,142

The attached notes are part of the separate financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022  
(All amounts are expressed in RON, if not otherwise indicated)

Other financial assets	-	-
<b>Total</b>	<b>3,655,617,938</b>	<b>3,247,806,750</b>

The situation of the age of **the receivables** on the date of drawing up the statement of the financial position was:

	<b>Gross value December 31, 2022</b>	<b>Provision December 31, 2022</b>	<b>Gross value December 31, 2021</b>	<b>Provision December 31, 2021</b>
Not at the due date	2,171,853,986	439,303	1,935,282,443	43,381
Due date exceeded between 1 – 30 days	(120,587)	2,770	22,558,019	-
Due date exceeded between 31 – 90 days	20,541	5,943	(343,107)	-
Due date exceeded between 90 – 180 days	18,045	6,970	13,072,815	12,540,751
Due date exceeded between 180 – 270 days	428,640	449,742	92,051	22,582
Due date exceeded between 270 – 365 days	186,948	181,868	622,364	74,967
More than one year	221,292,437	131,750,567	222,868,727	132,426,265
<b>Total</b>	<b>2,393,921,184</b>	<b>132,837,163</b>	<b>2,194,153,312</b>	<b>145,107,946</b>

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

	<b>Gross value December 31, 2022</b>	<b>Provision December 31, 2022</b>	<b>Gross value December 31, 2021</b>	<b>Provision December 31, 2021</b>
Not at the due date	1,050,760,965	34,980	915,346,210	8,469,053
Due date exceeded between 1 – 30 days	208,379	-	197,143	14
Due date exceeded between 31 – 90 days	445,076	-	11,358,697	2,107,673
Due date exceeded between 90 – 180 days	2,272,225	242,536	1,350,180	483,743
Due date exceeded between 180 – 270 days	1,541,395	170,579	1,170,464	482,365
Due date exceeded between 270 – 365 days	9,618,542	9,402,895	3,420,760	970,217
More than one year	90,871,784	66,479,855	80,611,154	54,405,301
<b>Total</b>	<b>1,155,718,366</b>	<b>76,330,845</b>	<b>1,013,454,608</b>	<b>66,918,366</b>

Transelectrica'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 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 (25,076,823), Eco Energy SRL (24,736,066), Petprod SRL (23,539,650), Arelco Power (14,788,022), Total Electric Oltenia SA (14,185,577), Romenergy Industry (13,512,997), Romelectro SA (13,429,126), Elsaco Energy (9,276,118), RAAN (8,516,707), Next Energy Partners SRL (8,395,132).

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

**CNTEE Tranelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022  
*(All amounts are expressed in RON, if not otherwise indicated)*

The evolution of **customer depreciation adjustments** is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Balance on January 01</b>	<b>145,107,946</b>	<b>134,733,880</b>
Recognition of the adjustments for depreciation	2,496,173	14,686,349
Resumption of adjustments for depreciation	14,766,956	4,312,283
<b>Balance at the end of the period</b>	<b>132,837,163</b>	<b>145,107,946</b>

The evolution of **adjustments for depreciation of other receivables** is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Balance on January 01</b>	<b>66,918,366</b>	<b>56,855,137</b>
Recognition of the adjustments for depreciation	11,557,190	14,780,396
Resumption of adjustments for depreciation	2,144,711	4,717,167
<b>Balance at the end of the period</b>	<b>76,330,845</b>	<b>66,918,366</b>

**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>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Assets</b>		
Monetary assets in RON	2,209,268,093	2,806,628,094
Monetary assets in foreign currency	1,446,349,845	441,178,656
	<b>3,655,617,938</b>	<b>3,247,806,750</b>
<b>Liabilities</b>		
Monetary liabilities in RON	(1,996,311,750)	(2,379,194,861)
Monetary liabilities in foreign currency	(1,559,696,926)	(804,023,304)
	<b>(3,556,008,676)</b>	<b>(3,183,218,165)</b>
<b>Net monetary position in RON</b>	<b>212,956,343</b>	<b>427,433,233</b>
<b>Net monetary position in foreign currency</b>	<b>(113,347,081)</b>	<b>(362,844,648)</b>

The attached notes are part of the separate financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)*

The following table shows the contractual maturity of financial liabilities, including interest payments:

<b>December 31, 2022</b>	<b>Net value</b>	<b>Contractual value</b>	<b>&lt; 12 months</b>	<b>1 – 2 years</b>	<b>2 – 5 years</b>	<b>&gt; 5 years</b>
<b>Financial liabilities</b>						
Suppliers and other obligations	(3,395,453,341)	(3,395,453,341)	(3,344,078,045)	(45,051,728)	(6,323,568)	-
Other taxes and obligations for social securities	(12,718,537)	(12,718,537)	(12,718,537)	-	-	-
Loans	(147,836,798)	(147,836,798)	(92,249,024)	(23,856,053)	(31,256,010)	(475,711)
<b>Total</b>	<b>(3,556,008,676)</b>	<b>(3,556,008,676)</b>	<b>(3,449,045,606)</b>	<b>(68,907,781)</b>	<b>(37,579,578)</b>	<b>(475,711)</b>
<b>December 31, 2021</b>	<b>Net value</b>	<b>Contractual value</b>	<b>&lt; 12 months</b>	<b>1 – 2 years</b>	<b>2 – 5 years</b>	<b>&gt; 5 years</b>
<b>Financial liabilities</b>						
Suppliers and other obligations	(3,064,567,473)	(3,064,567,473)	(2,977,373,973 )	(80,988,427)	(6,205,073)	-
Other taxes and obligations for social securities	(14,323,661)	(14,323,661)	(14,323,661)	-	-	-
Loans	(104,327,031)	(104,327,031)	(24,871,963)	(47,718,857)	(30,308,875)	(1,427,336)
<b>Total</b>	<b>(3,183,218,165)</b>	<b>(3,183,218,165)</b>	<b>(3,016,569,59)</b>	<b>(128,707,284)</b>	<b>(36,513,948)</b>	<b>(1,427,336)</b>

The attached notes are part of the separate financial statements

**CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

*(All amounts are expressed in RON, if not otherwise indicated)****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.

<b>December 31, 2022</b>	<b>Accounting value</b>	<b>Fair value</b>
<b>Financial assets</b>		
Net trade receivables	2,261,084,021	2,261,084,021
Other net receivables	787,546,355	787,546,355
VAT to recover	291,841,166	291,841,166
Cash and cash equivalents	315,146,396	315,146,396
Other financial assets	-	-
	<b>3,655,617,938</b>	<b>3,655,617,938</b>

<b>December 31, 2022</b>	<b>Accounting value</b>	<b>Fair value</b>
<b>Long-term financial liabilities</b>		
Loans, less bonds	55,587,774	55,587,774
Bonds	-	-
	<b>55,587,774</b>	<b>55,587,774</b>

<b>December 31, 2022</b>	<b>Accounting value</b>	<b>Fair value</b>
<b>Short-term financial liabilities</b>		
Suppliers, including suppliers of fixed assets	3,395,453,341	3,395,453,341
Loans, less bonds	92,249,024	92,249,024
Bonds	-	-
Amounts due to employees and other liabilities	21,829,545	21,829,545
	<b>3,509,531,910</b>	<b>3,509,531,910</b>

<b>December 31, 2021</b>	<b>Accounting value</b>	<b>Fair value</b>
<b>Financial assets</b>		
Net trade receivables	2,049,045,366	2,049,045,366
Other net receivables	824,401,867	824,401,867
VAT to recover	122,134,375	122,134,375
Cash and cash equivalents	252,225,142	252,225,142
	-	-
	<b>3,247,806,750</b>	<b>3,247,806,750</b>

<b>December 31, 2021</b>	<b>Accounting value</b>	<b>Fair value</b>
<b>Long-term financial liabilities</b>		
Loans, less bonds	79,455,068	79,455,068
Bonds	-	-
	<b>79,455,068</b>	<b>79,455,068</b>

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**CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022  
(All amounts are expressed in RON, if not otherwise indicated)

**December 31, 2021**

	<u>Accounting value</u>	<u>Fair value</u>
<b>Short-term financial liabilities</b>		
Suppliers, including suppliers of fixed assets	3,064,493,705	3,064,493,705
Loans, less bonds	24,871,963	24,871,963
Bonds	-	-
Amounts due to employees and other liabilities	23,226,682	23,226,682
	<u><b>3,112,592,350</b></u>	<u><b>3,112,592,350</b></u>

*Categories of financial instruments*

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Financial assets</b>		
Liquid funds	315,146,396	252,225,142
receivables	3,340,471,542	2,995,581,608
<b>Financial liabilities</b>		
Depreciated cost	3,234,898,006	3,183,218,165

*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>December 31, 2022</u>	<u>December 31, 2021</u>
Long and short term loans	147,836,798	104,327,031
Liquid funds	315,146,396	252,225,142
Other financial assets	-	-
	<u><b>(167,309,598)</b></u>	<u><b>(147,898,111)</b></u>
Current capitals	3,868,502,851	3,355,101,973
Indebtedness degree	1.11	1.16

**32. FEES CHARGED BY EASH 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;

The attached notes are part of the separate financial statements



## CNTEE Transelectrica SA

Explanatory notes to the financial statements for the financial year ended on December 31, 2022

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- 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 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. 92<sup>3</sup> 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. 92<sup>3</sup>, 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 363,667 RON, to which VAT is added.

### 33. ENVIRONMENT 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): SF<sub>6</sub>, 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,
  - ✓ preventing forest fires by maintaining the safety corridor,

The attached notes are part of the separate financial statements

## CNTEE Transelectrica SA

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(All amounts are expressed in RON, if not otherwise indicated)

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- ✓ 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.

### 34. FUTURE 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.

- **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**

The attached notes are part of the separate financial statements

## **CNTEE Transelectrica SA**

Explanatory notes to the financial statements for the financial year ended on December 31, 2022  
(All amounts are expressed in RON, if not otherwise indicated)

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### **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 – președinte
- Gheorghe STERP VINGĂRZAN
- Costin-Mihai PĂUN
- Dumitru Virgil ORLANDEA
- Cătălin-Andrei DASCĂL

Audit Committee:

- Luminița ZEZEANU– președinte
- Teodor ATANASIU
- Gheorghe STERP VINGĂRZAN
- Cătălin-Andrei DASCĂL
- Costin-Mihai PĂUN

Energy Security Committee:

- Costin-Mihai PĂUN - președinte
- Alexandru-Cristian VASILESCU
- Luminița ZEZEANU
- Teodor ATANASIU
- Dumitru Virgil ORLANDEA.

The presented separate financial statements were signed by the Company's management on March 16, 2023:

### **DIRECTORATE,**

<b>President</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>
<b>Gabriel</b> <b>ANDRONACHE</b>	<b>Florin-Cristian</b> <b>TĂTARU</b>	<b>Ștefăniță</b> <b>MUNTEANU</b>	<b>Cătălin-Constantin</b> <b>NADOLU</b>	<b>Bogdan</b> <b>TONCESCU</b>

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

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

The attached notes are part of the separate financial statements

**REPORT OF THE INDEPENDENT FINANCIAL AUDITOR**

(free translation from romanian version<sup>1</sup>)

**To shareholders of C.N.T.E.E. – Transelectrica S.A.**

**Report on separate financial statements**

**Opinion**

1. We have audited the accompanying separate 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 separate statement of the financial position as at December 31, 2022, the separate statement of the global result, the separate statement of changes in equity and the separate statement of cash flows for the year ended, and a summary of significant accounting policies and explanatory notes.
2. The separated financial statements as at December 31, 2022 are identified as follows:
  - Net asset/Total equity: 3,868,502,851 lei
  - Net result of the financial year - profit: 514,572,741 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 separate 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 131,493,193 lei, of which the amount of 131,101,164 lei related to clients in financial difficulties, as well as debts in the amount of 35,549,294 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.

<sup>1</sup> *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.*



At the date of this report, ANRE did not issue the methodology. Our audit opinion is not modified in this regard.

### **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 separate financial statements of the current period. These issues have been addressed in the context of the audit of separate 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 28 "Commitments" 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 separate 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 separate financial statements or contingent liabilities disclosed. We reviewed the disclosures of potential risks related to litigations in the notes to the separate 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 separate financial statements and the auditor's report on them.

Our opinion on the separate 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 separate 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 separate 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 separate financial statements, in our opinion:

- a) The information submitted in the Administrator's Report for the financial year for which the separate financial statements have been entered shall be consistent, in all material respects, with the separate 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 separate 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 separate financial statements**

10. The Company's management is responsible for drawing up separate 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 separate financial statements free of significant distortions, caused either by fraud or error.

11. In order to prepare separate 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 separate 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 separate 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 separate 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 separate 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 separate financial statements, including disclosures, and the measure that separate financial statements reflect transactions and the events underlying them intr-a manner that results in a faithful presentation.

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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.
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 separate 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 m 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 separate 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.

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

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