

Date of current report: **April 28, 2023**

Name of Issuer Company: **NPG Co. TRANSELECTRICA S.A., managed under two-tier system**

Headquarters: Bucharest 3, 2-4 Olteni Street

Phone/fax numbers: 021 30 35 611/021 30 35 610

Single registration code: 13328043

LEI code: 254900OLXCOUQC90M036

Number in the Trade Register: J40/8060/2000

Share capital subscribed and paid: 733,031,420 LEI

Regulated market where the issued securities are transacted: Bucharest Stock Exchange

**Important event to report:** the proposal regarding the distribution/allocation of Transelectrica's dividends for the financial year 2022

- ✚ Taking into account the SGOA Decision no. 5 from 27.04.2023 by which the shareholders have voted with 43,020,419 votes **against** representing 76.11194% from the total number of votes cast, the allocation of dividends from the profit recorded at 31.12.2022,

corroborated with

- ✚ **The Letter of the Ministry of Finance no. 1011756/19.04.2023**, sent to Government's General Secretariat, registered within the Company on **26.04.2023 by which it is returned unapproved** the draft memorandum with the theme 'Authorising the Government's General Secretariat to mandate by Order of the Government's General Secretariat the state representatives in the Shareholders' General Assembly of Transelectrica in order to exercise the right of vote in compliance with the dividend distribution proposal in a quota of 50 % of the profit allocated for the financial year 2022, left after the deduction of the amounts related in accordance with G.O. no. 64/2001<sup>1</sup>,

<sup>1</sup> Through the Memorandum with the theme: , **the mandate of the state representatives in the General Assembly of the Shareholders/ Board of Directors, as the case may be, at national societies, national companies and companies with full or majority state capital, as well as at autonomous governments, in order to take the measures imposed for the distribution of a share of at least 90 % of the realized net profit of the year 2022 in the form of dividends/payments to the state budget', it is proposed:**

- ✓ Giving mandate to state representatives in the General Shareholders Assembly /Board of Directors to analyze and decide on the distribution of a share of at least 90% of the net profit achieved in 2022 in the form of dividends/payments to the state budget, on the occasion of the approval of the financial statements of that year.;
- ✓ ***In thoroughly justified cases, the Government can approve, with the approval of the Ministry of Finance, by Memorandum the mandate of state representatives in the General Shareholders Assembly/ Board of Directors, as the case may be, to decide on the distribution of a share of less than 90% of the net profit achieved in 2022 in the form of dividends/payments to the state budget, in compliance with the provisions of G.O no. 64/2001..***

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The National Power Grid Company Transelectrica informs the shareholders and the investing public that it maintains its position by applying a '**distribution rate**' of 50% calculated at distributable profit related to the financial year 2022.

In order to support the justification of a '**distribution rate**' of 50% calculated at distributable profit related to the financial year 2022, we bring to your attention the following **arguments**:

 **A detailed presentation of the major strategic investments of the Company for the period of time 2023 – 2025:**

- ✓ The Investment Program of Transelectrica was elaborated in accordance with the investing priorities established in the Development Plan of RET.
- ✓ When elaborating the Investment Program it was taken into consideration the ensuring of the financial resources, with a priority on contractual engagements from previous years ( on going objectives) and for new investments objectives.

**The main investments being made in the years 2023, 2024 and 2025 and the estimated values of the corresponding costs are:**

(Thousands RON)

| Nr. Crt. | Name of the investment   | 2023   | 2024   | 2025   |
|----------|--|--------|--------|--------|
| 1        | Switching to the 400 kV voltage of the Porțile de Fier - Reșița - Timișoara - Săcălaz - Arad axis- (interconnection) Step, of which:   | 40,300 | 53,460 | 55,000 |
|          | - OHL 400 kV s.c. Porțile de Fier - (Anina) - Reșița   | 25,250 | 20,010 | -      |
|          | - 400/220/110 kV Reșița Station  | 15,050 | 33,450 | 55,000 |
| 2        | The connection of the OHL 400 kV Isaccea - Varna and OHL 400 kV Isaccea - Dobrudja in the 400 kV Medgidia Sud Station - Step II - OHL400 kV d.c. Connections at the station Medgidia Sud | 21,050 | 55,654 | -      |
| 3        | Refurbishment of the 400 kV Isaccea station (Step II)  | 8,105  | 32,005 | 33,005 |
| 4        | Modernization of the power station 220/110/20 kV Arefu   | 15,036 | 5,000  | -      |
| 5        | Modernization of the power station 220/110 kV Dumbrava   | 3,984  | -      | -      |
| 6        | Refurbishment of the 400/110/20 kV Smârdan station   | 11,057 | 9,900  | 13,120 |
| 7        | Refurbishment of the 110 kV Timișoara and switching to the 400 kV voltage of the axis Porțile de Fier - Anina - Reșița - Timișoara - Săcălaz - Arad, step II: 400 kV Timișoara station   | 410    | 6,850  | 20,050 |
| 8        | Refurbishment of the 110 kV Medgidia Sud station   | 2,010  | 15,010 | 18,010 |
| 9        | Refurbishment of the 220/110/MT kV Baru Mare station   | 42,607 | -      | -      |
| 10       | The 400 kV Stâlpu station and Modernization 110 kV cells and medium voltage in the power station Stâlpu  | 2,010  | 15,010 | 39,430 |
| 11       | The 400 kV d.c. Cernavodă - Stâlpu OHL and connection at Gura Ialomiței (interconnection)  | 6,401  | -      | -      |
| 12       | Refurbishment of the 220/110 kV Filești station  | 10,035 | 20,374 | -      |
| 13       | Refurbishment of the transformation power station 400/110 kV Pelicanu  | 20,010 | 46,010 | 28,310 |
| 14       | The 400 kV d.c. Gutinaș – Smârdan OHL (interconnection, POIM)  | 86,549 | 48,058 | 4,128  |
| 15       | Increasing the transmission capacity of the 220 kV Stejaru-Gheorgheni-Fântânele OHL  | 8,996  | 26,121 | -      |

| Nr. Crt.     | Name of the investment  | 2023           | 2024           | 2025           |
|--------------|---|----------------|----------------|----------------|
| 16           | Metering and data management system for electricity measurement on the wholesale market (modernization fund)  | 20,000         | 30,730         | -              |
| 17           | The 220 kV duble circuit Ostrovu Mare – RET OHL   | 16,311         | 21,452         | 21,399         |
| 18           | Preocurement and installation of 21 monitoring systems for the transformation units from the Transelectrica's stations  | 4,200          | -              | -              |
| 19           | Center for research and development of working technologies under tension (LST) and quick intervention in NPG - <i>step II</i>  | 4,200          | -              | -              |
| 20           | The 220 kV Ostrovu Mare station   | 9,456          | 20,000         | 14,582         |
| 21           | Increasing the safety in operation of the network area Argeş - Vâlcea, making the 400 KV Arefu station and installing an AT 400 MVA, 400/220 KV ( <i>including design</i> ) | 6,565          | 35,725         | 20,010         |
| 22           | Power Quality Monitoring System, PQMS (SF, PT, CS) ( <i>including design</i> )  | 1,500          | 13,136         | 14,636         |
| 23           | Other investments expenses  | 10,207         | 8,648          | 15,656         |
| 24           | Modernization investments   | 38,346         | 270,449        | 391,280        |
| 25           | Equipment and other acquisitions of tangible assets   | 66,981         | 46,571         | 24,573         |
| 26           | Investment expenses financed from the connection fee  | 9,640          | -              | -              |
| <b>TOTAL</b> |   | <b>465,965</b> | <b>780,162</b> | <b>713,189</b> |

We mention that the values foreseen in the Company's Budget and in the Investment Plan for the 2023 and estimations for 2024-2025 do not also include the price increases provided by G. O. no. 47/2022 (cca 20%)<sup>2</sup>.

On 31.12.2022, the company has registered contingent liabilities in the amount of 36,000 thousands RON, representing litigations having as their object claims for additional costs resulting from the increase of the minimum wage in the field of construction for investment contracts.

Moreover, the income of the transmission and system operator is calculated and dimensioned by ANRE in such a way as to ensure the coverage of justified costs of the network operator for the performance of the public services provided in optimal conditions. The regulate income is determined on the basis of cost forecasts and a reasonable rate of profit (regulated financial return) applied to the capital invested in the system and transmission infrastructure. The unit rates charged by Transelectrica results from dividing the regulated income established by ANRE for each regulated activity, to the forecast amount of electricity estimated to be billed.

From the moment of adopting the SGA Decision regarding the redistribution in the form of dividends of any amount, the Company becomes the owner of a clear, liquid and payable payment obligation on the date provided for in the decision, and in order to honor this obligation **the necessary funds must be available concretely in cash in the accounts of the Company.**

<sup>2</sup> Obligation of the Company for all contracts concluded between itself and third parties – contracts which are ongoing or in litigation.



**Cash flow forecasts for 2023-2025, starting from the existing available in the Company's accounts on the date of 31.12.2022**

*Thousands RON*

| <b>Cash flow forecasts</b><br><i>Distribution scenario 90%</i>      |               | <b>2022 R</b> | <b>BVC<br/>2023</b> | <b>E 2024</b>  | <b>E 2025</b>  |
|---|---------------|---------------|---------------------|----------------|----------------|
| EBITDA  |               |               | 464.4               | 405.3          | 409.9          |
| Tax profit  |               |               | (20.6)              | (5.7)          | (9.7)          |
| Changes of capital  |               |               | -                   | -              | -              |
| <b>Operational cash flow</b>  |               |               | <b>443,9</b>        | <b>399,7</b>   | <b>400,2</b>   |
| <b>Cash outflows for the payment of investment projects</b>         |               |               | <b>(456,3)</b>      | <b>(780,2)</b> | <b>(713,2)</b> |
|   |               |               |                     |                |                |
| <b>Flux de numerar la dispoziția Companiei</b>                      |               |               | <b>(12,5)</b>       | <b>(380,5)</b> | <b>(313,0)</b> |
|   |               |               |                     |                |                |
| Revolving credit  |               |               | -                   | -              | -              |
| EU funding  |               |               | 211,4               | 189,3          | 273,6          |
| <b>Total funding</b>  |               |               | <b>211,432</b>      | <b>189,272</b> | <b>273,6</b>   |
|   |               |               |                     |                |                |
| Principal payments (credit repayments in progress without interest) |               |               | (24,2)              | (25,0)         | (25,7)         |
| Revolving facility repayment (credit line)                          |               |               | (67,6)              | -              | -              |
| Financial expenses (interest)                                       |               |               | (15,4)              | (28,4)         | (27,5)         |
| Expenses from exchange rate differences                             |               |               | (64,0)              | (36,3)         | (30,6)         |
| Financial income  |               |               | 77,9                | 62,9           | 57,9           |
| <b>Total financial cash outflows</b>                                |               |               | <b>(93,4)</b>       | <b>(26,8)</b>  | <b>(25,9)</b>  |
|   |               |               |                     |                |                |
| Dividends paid  |               |               | (92,5)              | -              | -              |
| Negative ANRE correction of interconnection revenues (April 1) 2023 |               |               | (90,0)              |                |                |
| <b>Net cash flow</b>  |               |               | <b>(76,9)</b>       | <b>(218,0)</b> | <b>(65,3)</b>  |
|   |               |               |                     |                |                |
| Initial balance   |               |               | 315,1               | 145,6          | (72,4)         |
| Final balance, of which:  |               | <b>315,1</b>  | <b>145,6</b>        | <b>(72,4)</b>  | <b>(137,7)</b> |
| - support scheme for cogeneration (restricted)                      |               | 96,4          | 96,4                | 96,4           | 96,4           |
| - interconnection capacity allocation (restricted)                  |               | 0,4           | 0,4                 | 0,4            | 0,4            |
| - connection fee (restricted)                                       |               | 21,7          | 21,7                | 21,7           | 21,7           |
| - other restricted accounts (energy market guarantor, dividend)     |               | 34,1          | 34,1                | 34,1           | 34,1           |
| <b>Unrestricted cash available to the Company</b>                   |               | <b>162,5</b>  | <b>(7,0)</b>        | <b>(225,0)</b> | <b>(290,3)</b> |
|   |               |               |                     |                |                |
| Net income  |               | 514,0         | 89,5                | 57,8           | 72,6           |
| Net distributable profit  |               | 102,8         | 0                   | 0              | 0              |
| <b>Distribution of dividends</b>                                    | <b>90,00%</b> | 92,5          | 0                   | 0              | 0              |

mil lei

| <b>PROJECTION OF CASH FLOWS<br/>50% allocation scenario</b>         |               | <b>2022 R</b> | <b>BVC<br/>2023</b> | <b>E 2024</b>  | <b>E 2025</b>  |
|---|---------------|---------------|---------------------|----------------|----------------|
| EBITDA  |               |               | 464,4               | 405,3          | 409,9          |
| Tax profit  |               |               | (20,6)              | (5,7)          | (9,7)          |
| Changes in capital  |               |               | -                   | -              | -              |
| <b>Operating cash flow</b>  |               |               | <b>443,9</b>        | <b>399,7</b>   | <b>400,2</b>   |
|   |               |               |                     |                |                |
| <b>Cash outflows for the payment of investment projects</b>         |               |               | <b>(456,3)</b>      | <b>(780,2)</b> | <b>(713,2)</b> |
|   |               |               |                     |                |                |
| <b>Cash flow available to the Company</b>                           |               |               | <b>(12,5)</b>       | <b>(380,5)</b> | <b>(313,0)</b> |
|   |               |               |                     |                |                |
| Revolving credit  |               |               | -                   | -              | -              |
| EU funding  |               |               | 211,4               | 189,3          | 273,6          |
| <b>Total funding</b>  |               |               | <b>211,432</b>      | <b>189,272</b> | <b>273,6</b>   |
|   |               |               |                     |                |                |
| Principal payments (credit repayments in progress without interest) |               |               | (24,2)              | (25,0)         | (25,7)         |
| Revolving facility repayment ( credit line)                         |               |               | (67,6)              | -              | -              |
| Financial expenses (interest)                                       |               |               | (15,4)              | (28,4)         | (27,5)         |
| Expenses from exchange rate differences                             |               |               | (64,0)              | (36,3)         | (30,6)         |
| Financial income  |               |               | 77,9                | 62,9           | 57,9           |
| <b>Total financial cash outflows</b>                                |               |               | <b>(93,4)</b>       | <b>(26,8)</b>  | <b>(25,9)</b>  |
|   |               |               |                     |                |                |
| Dividends proposed to be paid                                       |               |               | (52,0)              | -              | -              |
| Negative correction ANRE interconnection revenues (1 Apr) 2023      |               |               | (90,0)              |                |                |
| <b>Net cash flow</b>  |               |               | <b>(36,4)</b>       | <b>(218,0)</b> | <b>(65,3)</b>  |
|   |               |               |                     |                |                |
| Initial balance   |               |               | 315,1               | 226,6          | 8,6            |
| Final balance, of which:  |               | <b>315,1</b>  | <b>226,6</b>        | <b>8,6</b>     | <b>(56,7)</b>  |
| - support scheme for cogeneration (restricted)                      |               | 96,4          | 96,4                | 96,4           | 96,4           |
| - interconnection capacity allocation (restricted)                  |               | 0,4           | 0,4                 | 0,4            | 0,4            |
| - connection fee (restricted)                                       |               | 21,7          | 21,7                | 21,7           | 21,7           |
| - other restricted accounts (energy market guarantor, dividend)     |               | 34,1          | 34,1                | 34,1           | 34,1           |
| <b>Unrestricted cash available to the Company</b>                   |               | <b>162,5</b>  | <b>74,0</b>         | <b>(144,0)</b> | <b>(209,3)</b> |
|   |               |               |                     |                |                |
| Net income  |               | 514,0         | 89,5                | 57,8           | 72,6           |
| Net distributable profit  |               | 102,8         | 0                   | 0              | 0              |
| <b>Dividend distribution (%)</b>                                    | <b>50,62%</b> | 52,0          | 0                   | 0              | 0              |

Restricted cash represents sums in transit in the Company's accounts as administrator of the cogeneration scheme, developer or as a result of activities arising from secondary legislation, as the case may be. The amounts in the accounts related to the support scheme

**for cogeneration, the connection tariff and the one for allocation of interconnection capacity are regulated by secondary legislation and cannot be used for other purposes.**

**As a consequence, Transelectrica cannot change the destination of these funds, but has the obligation to manage them (inflows - outflows).**

At the same time, we specify that European legislation establishes a strict regime regarding the use of revenues obtained by electricity transmission network operators from the allocation of cross-border exchange capacities.

These revenues are primarily used to finance investments in increasing the cross-border capacity of the electricity transport infrastructure. As a result, similarly to the previous years, for the year 2022 the net income from the profit tax will be allocated to the special purpose reserve and will not be distributed to the shareholders in the form of dividends.

Thus, CNTEE Transelectrica S.A. justified the need to distribute a share of 50% in the form of dividends from the distributable profit determined after deducting the amounts related to the destinations established by normative acts specifically provided for by O.G. no. 64/2001.

Moreover, in order to be able to fulfill its mission of ensuring SEN officials in conditions of maximum safety and stability, meeting quality standards, thus realizing the infrastructure of the national electricity market and guaranteeing, at the same time, regulated access to the electrical transmission network, in conditions of transparency, non-discrimination and equidistance for all market participants, the transport and system operator in Romania, with a key role in the electricity market in Romania, CNTEE Transelectrica SA, needs predictability in the estimation, allocation and distribution of all resource types.

**In relation to what has been presented, we inform you that we will initiate steps for the possibility of revising the opinion issued by the Ministry of Finance and sent to the General Secretariat of the Government by address no. 1011756/19.04.2023, so that the AGM decides to apply a "distribution rate" of 50%, calculated on the remaining profit to be distributed.** Lack of cash will create vulnerabilities and may jeopardize the Company's financial security. The decrease in liquidity will attract signals from rating agencies, market analysts and financiers with whom CNTEE "Transelectrica" S.A. has credit agreements in progress or with financiers with whom the Company intends to attract additional credits for the investment obligations already assumed.

**Ștefăniță MUNTEANU**

**Executive Director General  
Directorate Chairman**

**Bogdan TONCESCU**

**Directorate Member**