electrica

ANNUAL REPORT 2022

SUMMARY




Message from the Chairman of the Board of Directors

Looking back on the year 2022, it is obvious that it represented another chapter marked by unexpected elements and challenges at company, industry and even at country level. Certainly, the geopolitical context at the border with Ukraine, together with repeated legislative adjustments and the end of a pandemic, quickly influenced the company's evolution, so we were faced again with exceptional situations, where we had to manage the company's strategy and its resources as efficiently as possible.

Undoubtedly, the last few years have been marked by important transformations in the energy industry, both legislative and conceptual, and in this regard, Electrica's Board of Directors and the management team have worked together and have constantly sought to generate solutions and create a balance between long-term strategic objectives and specific short-term or operational needs, generated by the context in which we operated.

The measures implemented in order to streamline the core activities, reduce costs and optimize investments have led to very good financial results, in fact the best since the IPO, both in terms of total revenues (RON 10 billion), EBITDA (RON 1.36 billion) and net profit (RON 559 million), mainly due to the regulation of the capitalization of certain cost categories in the distribution segment, but also to the performance of the supply segment.

Furthermore, we have managed to take a new step in our target to expand our activity across the borders of the country and, in addition to the opening of the branch in the Republic of Moldova in 2020, in 2022 we have obtained a license from the Hungarian Energy and Public Utility Regulatory Authority that will allow us to trade electricity on the wholesale market.

Therefore, from our perspective, the year 2022 was a new opportunity to show the solidity and the high degree of resilience of Electrica Group, as well as the essential role it plays in the Romanian economy. All this would not have been possible without a strong and dedicated team. That is why I would like, on behalf of myself and my colleagues in the Board of Directors, to thank all the Group's employees, who we know have made sustained efforts to effectively overcome the challenges and achieve the set objectives.

We hope that 2023 will be a year in which the focus will be on developing production capacities.

We will definitely still need to demonstrate in the future that we are capable of adapting to the continuous changes in the energy market, which may come with challenges difficult to anticipate, especially due to the legislative changes. At Group level, we have set a series of objectives and a way of operating that respond to the significant changes in the market and to the needs of our customers, and at the same time ensure the growth of the company. We are confident that we will continue the sustainable development of the business and that we will generate, as before, stable prospects for our shareholders, investors, customers, partners and employees.

Iulian Cristian Bosoanca,

Chairman of the Board of Directors
Electrica

Message from the CEO

At both national and international level, 2022 has brought a new set of challenges for the entire energy market, and beyond. Despite the challenging environment in which we operated, the financial performance achieved by the Electrica Group, the best in the 8 years since the listing, once again demonstrates that we are a solid, stable, and perhaps more importantly than ever, responsible business.

This is the result of a continuous process of optimization and adaptation to market developments, and I thank colleagues, customers, investors and partners, who supported these efforts, as well as the Board of Directors, who trusted the measures proposed by the management team. Together, we have managed to increase the capacity of the Group's companies to optimize their operations, to undertake the planned investments and to improve the services offered. Clearly, the process is a complex, long-term one, and will continue in line with market requirements, while pursuing both the interest of our clients and that of our shareholders.

As always, we have been and will continue to be dedicated to maintaining this balance between creating value for our clients and maximizing profits for our shareholders, while consolidating our position in the market and expanding into complementary segments. All this, within a culture of ethics, integrity, and sustainability.

At Group level, we have already implemented a series of ESG policies, and we consider the difference from the optimal standards to be low. In addition to existing initiatives, we intend to align our strategies, policies and current activities with the paradigm assumed at the level of the European Union, so that we can contribute to the common effort to reduce the effects of climate change and social inequalities.

Corporate governance and investor relations remain at the forefront for us, seeking continuous improvement and implementation of the best practices in the field. Therefore, for the second consecutive year, Electrica was among the companies that received a score of 10 in the VEKTOR evaluation, the investor communication indicator for listed companies.

Last year, Electrica ranked 7th in the top of the most valuable Romanian brands. This is the highest position achieved so far in this ranking, with an estimated market value of 203 million euros, representing a 24.5% increase compared to the previous year.

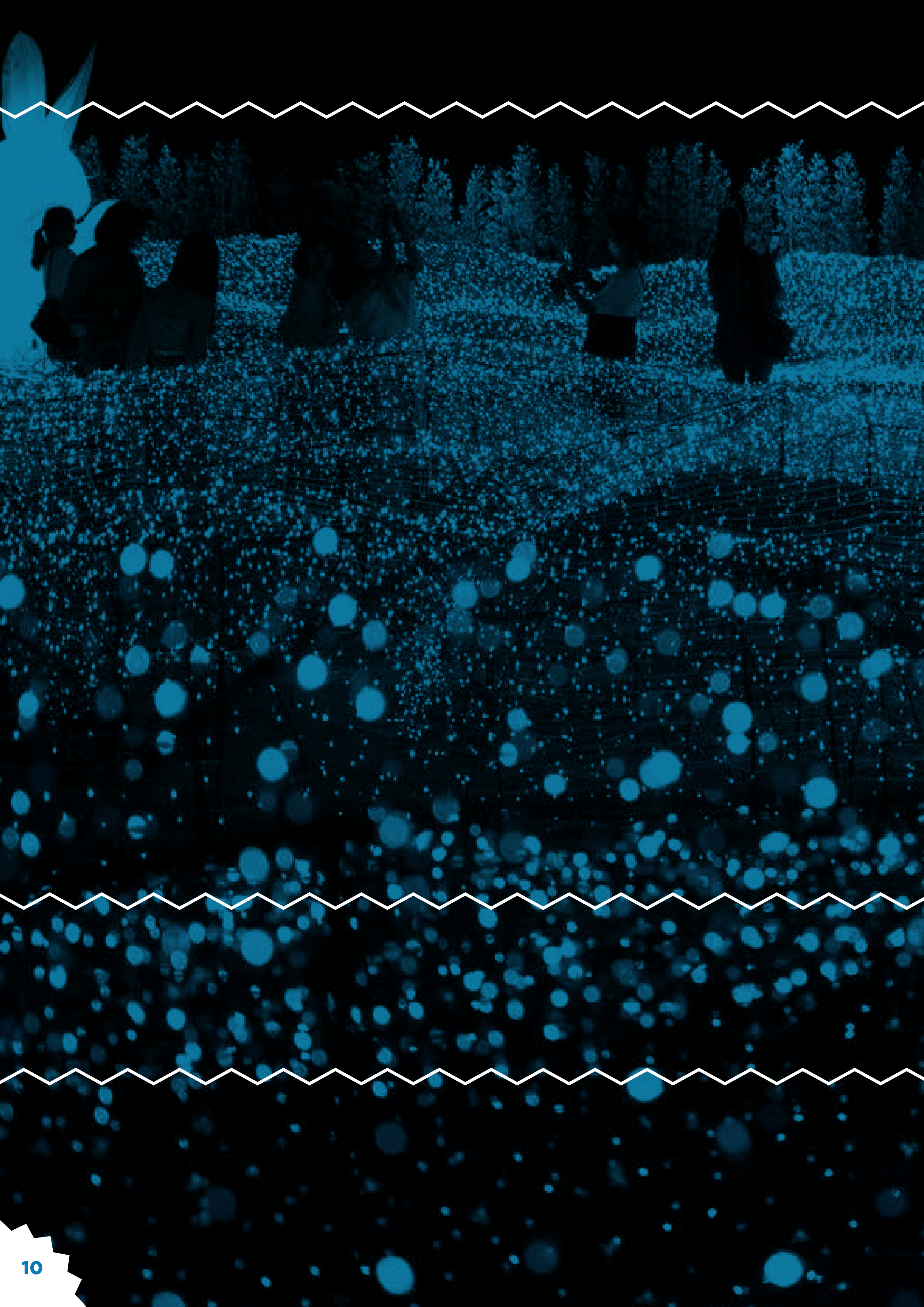
In this context, we are confident that we are rapidly moving towards meeting all the criteria for the inclusion in the international FTSE Russell indices, having already successfully achieved many of them. This is an ambition that will allow us to attract new investors and consolidate our position in the capital market.

Going forward, we will continue to adapt our activities and strategy to market conditions, relying on sustainable growth of Group companies, so as to ensure financial stability and efficiency across all portfolio business lines. Regarding our future plans, we will continue to develop the production segment, especially from renewable sources, all the more so given the challenges arising internationally in the supply chain. We are already working on a new medium and long-term strategy at Group level, with the common thread being the adaptation of the business to the complex ecosystem in which we operate.

Certainly, 2023 will also have its own challenges, but we remain firmly committed to taking all necessary measures to bring added value to our stakeholders, continuing to focus on achieving sustainable performance. We will ensure that the Electrica Group maintains the flexibility and agility necessary to quickly adapt to any market changes and to address new business opportunities.

Alexandru Aurelian Chirita,

CEO Electrica



DIRECTORS' REPORT FOR THE YEAR 2022

(based on the consolidated financial statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union – IFRS-EU)

as well as

(based on the individual and consolidated financial statements prepared in accordance with the Order of the Ministry of Public Finance no. 2844/2016 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards - OMFP 2844/2016)

REGARDING THE ECONOMIC AND FINANCIAL ACTIVITY OF ELECTRICA GROUP

in compliance with art. 63 of the Law no. 24/2017 on issuers of financial instruments and market operations and with annex no. 15 to ASF Regulation no. 5/2018 and the Bucharest Stock Exchange Code
for the 12-month period ended 31 December 2022

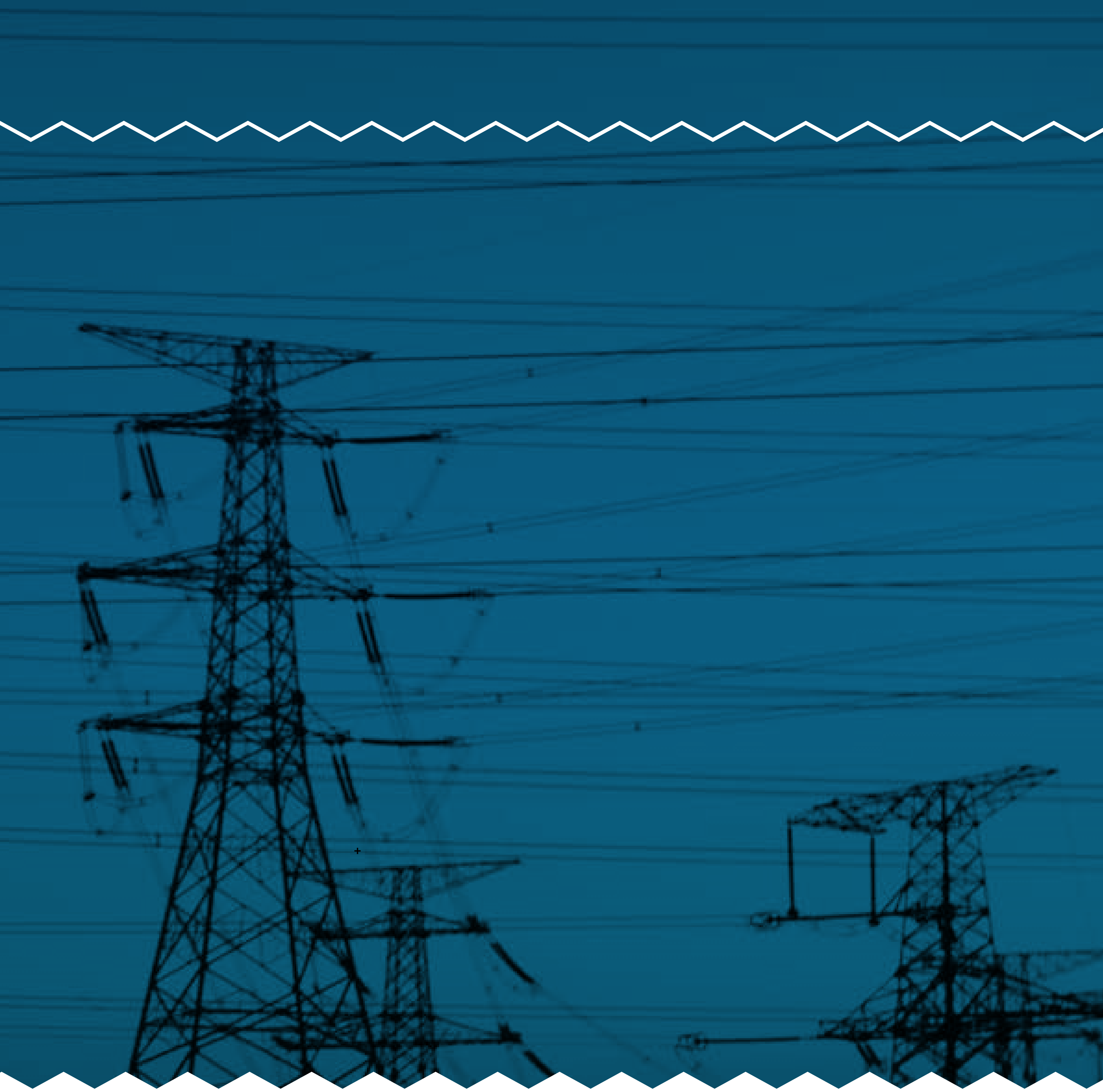
NOTE: This report contains the financial analysis of both sets of financial statements mentioned above, which were drawn up and submitted to the approval of the Ordinary General Meeting of Shareholders on 27 April 2023 by the Board of Directors of Electrica S.A.. Further in this report, where there are differences between financial indicators, the corresponding standard will be expressly marked (S-IFRS-EU, respectively S-OMFP 2844/2016)

2022 Directors' Report

Free translation from Romanian, which is the official and binding version, and will prevail, in the event of any discrepancies with the English version

Content

Content



1 Electrica 2022 Overview

Identification details of Electrica

Report date: 24 March 2023

Name of the Issuer: Societatea Energetica Electrica S.A.

Headquarter: 9, Grigore Alexandrescu Street, 1st District, Bucharest, Romania

Telephone/fax number: +4021.208.5999; +4021.208.5998

Fiscal code: 13267221

Trade Registry No: J40/7425/2000

LEI Code (Legal Entity Identifier): 213800P4SUNUM5AUDX61

Subscribed and paid share capital: RON 3,464,435,970

Main characteristics of issued shares: 346,443,597 ordinary shares of 10 RON nominal value, out of which 6,890,593 treasury shares and 339,553,004 shares issued in dematerialized form and freely transferable, nominative, tradable and fully paid.

Regulated market where the issued securities are traded: the company's shares are listed on the Bucharest Stock Exchange (ticker: EL) and the Global Depositary Receipts (ticker: ELSA) are listed on the London Stock Exchange.

Applicable accounting standards:

- International Financial Reporting Standards as approved by the European Union ("IFRS-EU")
- Order of the Ministry of Public Finance no. 2844/2016 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards (OMFP 2844/2016)

Reporting period: 2022 Year (period 1 January - 31 December 2022)

Audit: The consolidated financial statements (both sets, S-IFRS-EU and S-OMFP 2844/2016) and respectively the individual financial statements as of and for the period ended 31 December 2022 are audited by an independent financial auditor.

Table 1. Company details

	Ordinary Shares	GDR
ISIN	ROELECACNOR5	US83367Y2072
Bloomberg Symbol	OQVZ	ELSA:LI
Currency	RON	USD
Nominal Value	RON 10	-
Stock Market	Bucharest Stock Exchange REGS	London Stock Exchange MAIN MARKET
Ticker	EL	ELSA

Source: Electrica

1.1. 2022 Key financial data

1.1.1. Key financial data - S-IFRS-EU

S-IFRS-EU: In 2022, the net result of the Electrica Group was a profit of RON 559 mn., a result generated mainly by the performance of the electricity supply segment in the context of the increase in energy costs, simultaneously with the impact generated by the amendment of the concession contracts regarding the recognition of additional costs (effective costs vs recognized ex-ante in tariffs) with the purchase of electricity to cover the NL for the distribution segment, against the background of the increase in the unit price of electricity as well as the deficit of electricity existing throughout the European Union.

S-IFRS-EU: Based on the concession contracts amendments, the additional cost of purchasing electricity for covering the own technological consumption of the distribution operators (actual costs with the purchase of electricity for own technological consumption ("NL") coverage compared to the costs included in the regulated tariffs) are recognised as financial asset (guaranteed asset) as part of the concession agreement.

S-IFRS-EU: The company recorded income from initial recognition of financial assets rising from concession contracts in amount of RON 951.6 mn., representing additional NL calculated as the difference between the net cost with the purchase of NL and the NL cost included in the regulatory tariff, for the period 1 January - 31 December 2022.

S-IFRS-EU: The revenues of the Electrica Group in 2022, 2021 and 2020 were RON 10,010 mn., RON 7,179 mn., respectively RON 6,501 mn.

Table 2. Key financial data for 2022 - 2020 – IFRS-EU

(RON mn.)	2022	2021	2020
Revenue	10,010	7,179	6,501
Other operating income	3,793	196	165
Operational costs	(12,973)	(7,980)	(6,215)
EBITDA[1]	1,325	(128)	953
EBIT	829	(606)	459
Gross profit	664	(632)	442
Net profit	**559**	**(553)**	**388**

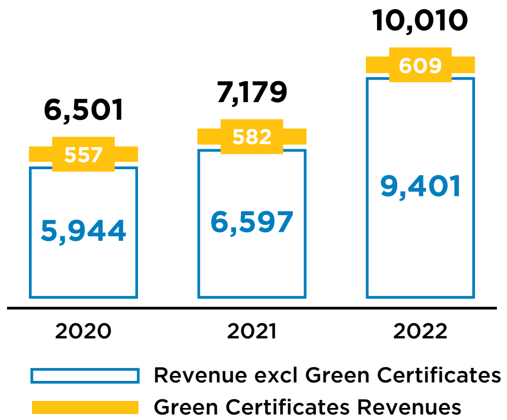
Source: Electrica

S-IFRS-EU: As can be seen in the graphs below, the EBITDA margin increased by RON 1,453 mn. in 2022 compared to 2021 (vs. RON 1,081 mn. decrease in 2021 compared to 2020), while the net profit margin increased by RON 1,112 mn. (vs. decrease RON 940 mn. in 2021 compared to 2020).

S-IFRS-EU: As of 31 December 2022, the Group has a capital structure with net debt position[2] of RON 3,051 mn. (31 December 2021: RON 1,056 mn., respectively 31 December 2020: RON 81 mn.).

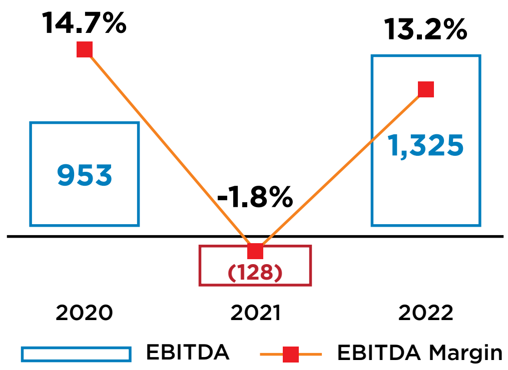
1 Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation or namely EBITDA) is defined and calculated as profit/(loss) before tax adjusted for i) depreciation, amortization and impairment/reversal of impairment of property, plant and equipment and intangible assets, ii) impairment of assets held for sale and iii) net finance income. EBITDA is not an IFRS measure and should not be treated as an alternative to IFRS measures. Moreover, EBITDA is not uniformly defined. The method used to calculate EBITDA by other companies may differ significantly from that used by the Group. As a consequence, the EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA of other companies.
2 Net debt/(Cash) is defined as bank borrowings + bank overdrafts + financial leases + funding for concession agreements - cash and cash equivalents – restricted cash - bank deposits, treasury bills and government bonds.

Figure 1: Consolidated revenue of Electrica Group (RON mn.)



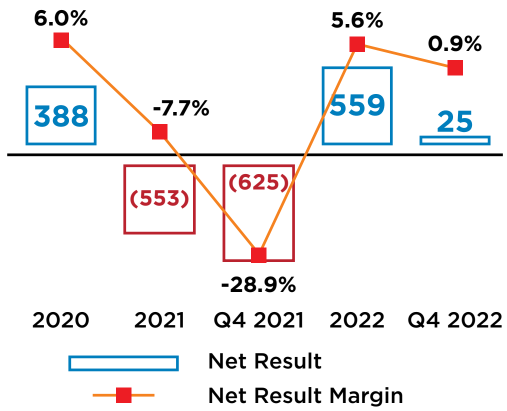
Source: Electrica

Figure 2: EBITDA (RON mn.) and EBITDA margin (%) - S-IFRS-EU



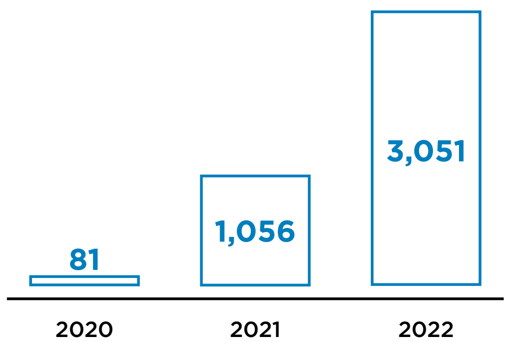
Source: Electrica

Figure 3: Consolidated net profit (RON mn.)



Source: Electrica

Figure 4: Net debt/(cash) (RON mn.)



Source: Electrica

1.1.2 Key financial data - S-OMFP 2844/2016

S-OMFP 2844/2016: In 2022, the net result of the Electrica Group was a profit of RON 559 mn., a result generated mainly by the performance of the electricity supply segment in the context of the increase in energy costs, simultaneously with the impact generated by the amendment of the concession contracts regarding the recognition of additional costs (effective costs vs recognized ex-ante in tariffs) with the purchase of electricity to cover the NL for the distribution segment, against the background of the increase in the unit price of electricity as well as the deficit of electricity existing throughout the European Union.

S-OMFP 2844/2016: Starting with 30 September 2022, the Company applies the provisions of GEO no. 119/2022, by which the additional costs for the purchase of electricity realized between 1 January 2022 and 31 August 2023, in order to cover the own technological consumption, compared to the costs recognized in the regulated tariffs, are capitalized quarterly.

S-OMFP 2844/2016: The company recorded income from NL capitalization in the amount of RON 951.6 mn., representing additional NL calculated as the difference between the net cost with the purchase of NL and the NL cost included in the regulatory tariff, for the period 1 January - 31 December 2022.

S-OMFP 2844/2016: The revenues of the Electrica Group in 2022, 2021 and 2020 were RON 10,010 mn., RON 7,179 mn., respectively RON 6,501 mn.

Table 3. Key financial data for 2022 - 2020 – S-OMFP 2844/2016

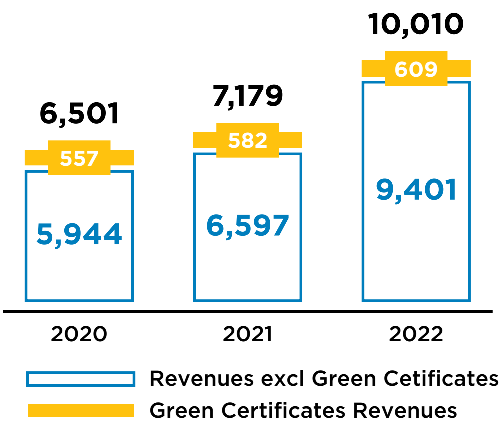
(RON mn.)	2022	2021	2020
Revenue	10,010	7,179	6,501
Other operating income	2,841	196	165
Capitalised costs of intangible non-current assets	989	-	-
Operational costs	(13,011)	(7,980)	(6,215)
EBITDA[1]	1,363	(128)	953
EBIT	829	(606)	459
Gross profit	664	(632)	442
Net profit	**559**	**(553)**	**388**

Source: Electrica

S-OMFP 2844/2016**:** As can be seen in the graphs below, the EBITDA margin increased by RON 1,491 mn. in 2022 compared to 2021 (vs. RON 1,081 mn. decrease in 2021 compared to 2020), while the net profit margin increased by RON 1,112 mn. (vs. decrease RON 940 mn. in 2021 compared to 2020).

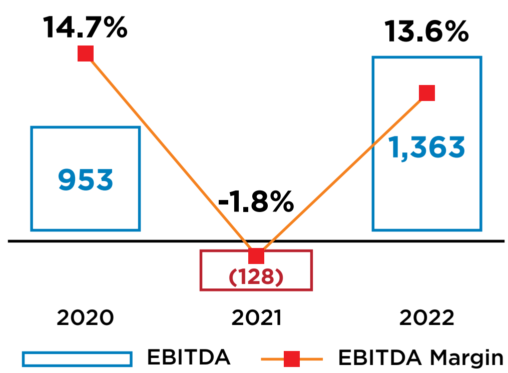
S-OMFP 2844/2016: As of 31 December 2022, the Group has a capital structure with net debt position[2] of RON 3,051 mn. (31 December 2021: RON 1,056 mn., respectively 31 December 2020: RON 81 mn.).

Figure 5: Consolidated revenue of Electrica Group (RON mn.)



Source: Electrica

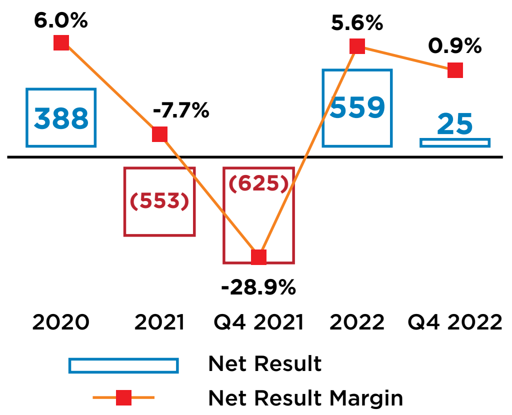
Figure 6: EBITDA (RON mn.) and EBITDA margin (%) - S-OMFP 2844/2016



Source: Electrica

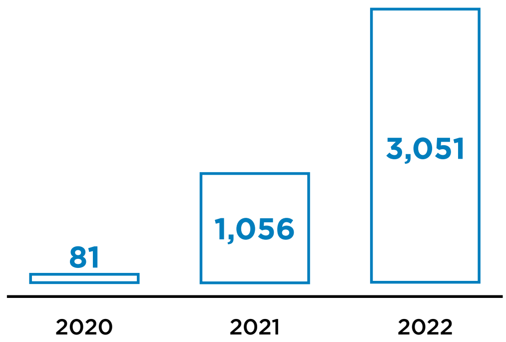
1 Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation or namely EBITDA) is defined and calculated as profit/(loss) before tax adjusted for i) depreciation, amortization and impairment/reversal of impairment of property, plant and equipment and intangible assets, ii) impairment of assets held for sale and iii) net finance income. EBITDA is not an IFRS measure and should not be treated as an alternative to IFRS measures. Moreover, EBITDA is not uniformly defined. The method used to calculate EBITDA by other companies may differ significantly from that used by the Group. As a consequence, the EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA of other companies.
2 Net debt/(Cash) is defined as bank borrowings + bank overdrafts + financial leases + funding for concession agreements - cash and cash equivalents – restricted cash - bank deposits, treasury bills and government bonds.

Figure 7: Consolidated net profit (RON mn.)



Source: Electrica

Figure 8: Net debt/(cash) (RON mn.)



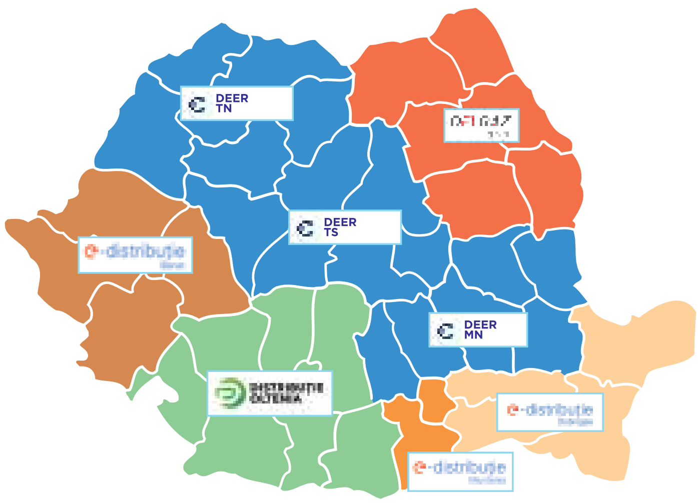
Source: Electrica

DISTRIBUTION SEGMENT

Essential market information:

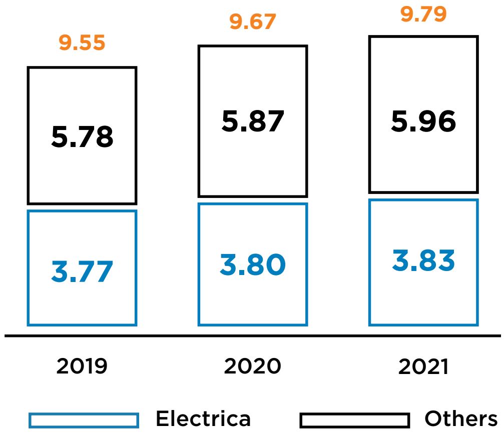
- Electricity distribution in Romania is fulfilled mainly by six electricity distribution system operators, regulated by ANRE;
- Each company is responsible for the exclusive distribution of electricity in the region for which it is authorized, under a concession agreement concluded with the Romanian State;
- Enel owns three distribution companies each, while Electrica through Distributie Energie Electrica Romania (formed by the merger at 31 december 2020 of Societatea de Distributie a Energiei Electrice Transilvania Nord, Societatea de Distributie a Energiei Electrica Transilvania Sud and Societatea de Distributie a Energiei Electrice Muntenia Nord), owns 3 network zones, CEZ through Distributie Oltenia and E.ON through Delgaz Grid own the remaining two;
- Electrica Group is a key player in the electricity distribution sector, both in terms of areas covered and of number of users served;
- The estimated Regulated Assets Base (RAB) value at the end of 2022 was RON 6.2 bn;
- 202,159 km of electric lines - 7,603 km for High Voltage ("HV"), 46,589 km for Medium Voltage ("MV") and 147,967 km for Low Voltage ("LV");
- Total area covered: 97,196 km^2, 40.7% of Romania's territory;
- 3.88 mn. users (2022) for the distribution activity;
- 17.73 TWh of electricity distributed in 2022, a decrease of 4% as compared to 2021;
- **39.9% market share for the distribution of electricity to final users in 2021 (based on distributed quantities, according to ANRE report for 2021)**.

Figure 9: Romanian electricity distribution map



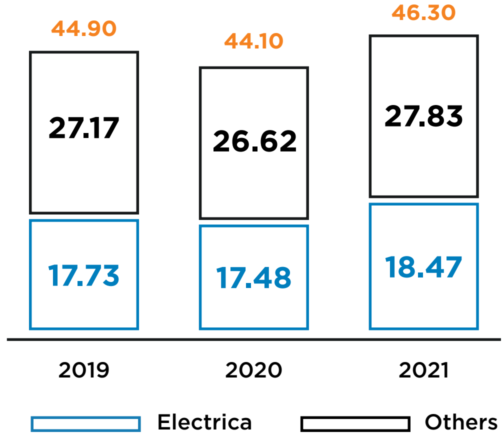
Source: Electrica

Figure 10: Evolution of the number of users (mn.)



Source: ANRE Report for performance indicators' monitoring 2021, Electrica

Figure 11: Quantity distributed (TWh)



Source: ANRE Report for performance indicators' monitoring 2021, Electrica

Key financial indicators for Distribution segment

In 2022, revenues from the electricity distribution segment increased by approx. RON 665.8 mn., or 24.4%, to RON 3,396.6 mn., from RON 2,730.8 mn. in 2021. The effect of the increase by RON 110.9 mn. of revenues recognized in accordance with IFRIC 12, to which was added the increase in distribution tariffs as well as the decrease in volumes of electricity distributed, net impact of RON 554.9 mn. or 24.9%.

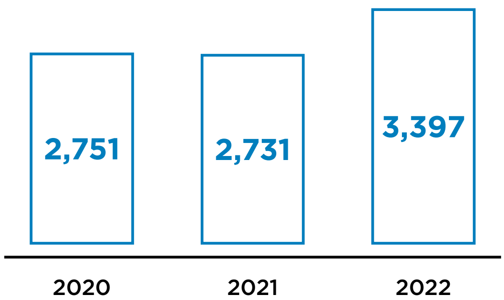
S-IFRS-EU: EBITDA in the distribution segment is positively affected by the income from initial recognition of financial assets rising from concession agreements amendments o have contributed with an increase of RON 951.6 mn.

S-OMFP 2844/2016: EBITDA in the distribution segment is positively affected by the income from the production of intangible assets from capitalizing additional costs with NL that have contributed with an increase of RON 989.3 mn.

The net result of the segment is profit in amount of RON 308.2 mn. in 2022 compared with the loss registered in 2021 in amount of RON 139.0 mn. The net profit is unfavorably affected by the increase of the negative financial result with RON 78.6 mn. reaching the amount of RON 152.0 mn. in 2022 compared to the negative financial result in 2021 in amount of RON 73.5 mn.

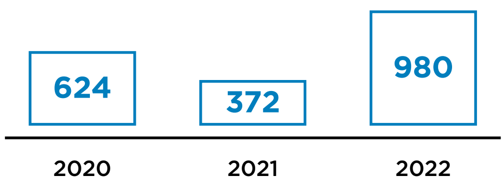
We also mention the fact that, at the beginning of the current PR4 regulatory period, ANRE made a total negative correction for the closing of PR3 in the amount of RON (730) mn. (nominal terms), respectively (RON 665) mn. (2018 terms), of which RON (341) mn. for the meters recognized as investments in PR2 (2008-2013). The meter correction was challenged in court by the distribution branch of the Electrica Group, because in 2013, ANRE recognized the meters in BAR based on the principle of non-discrimination of all distribution operators, although they were not registered as fixed assets. The total negative correction related to PR3 decreased the regulated profitability related to PR4, with an average annual value of RON (146) mn.

Figure 12: Revenues - distribution segment (RON mn.)



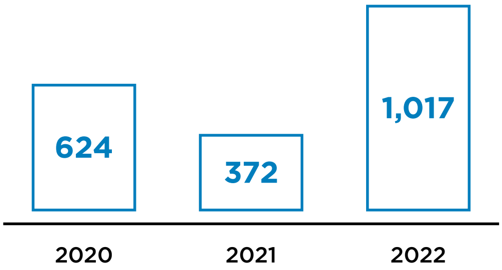
Source: Electrica

Figure 13: EBITDA – distribution segment (RON mn.) - S-IFRS-EU



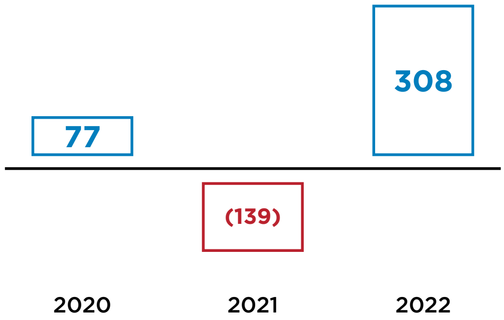
Source: Electrica

Figure 14: EBITDA – distribution segment (RON mn.) - S-OMFP 2844/2016



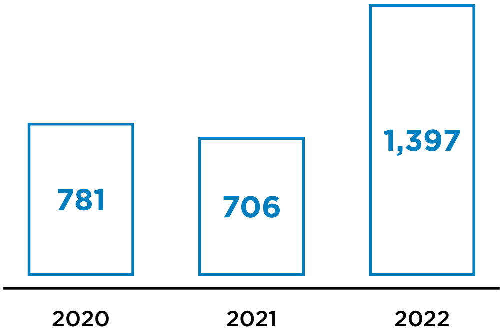
Source: Electrica

Figure 15: Net Profit – distribution segment (RON mn.)



Source: Electrica

Figure 16: Net debt/(Cash) – distribution segment (RON mn.)



Source: Electrica

SUPPLY SEGMENT

Essential market data (according to ANRE Report for September 2022)

- The supply market is composed of both competitive and universal service and last resort segment (US and LR);
- The universal service and last resort segment consist of 6 last resort suppliers designated at national level;
- The competitive segment consists of 91 suppliers (including the last resort suppliers operating on retail competitive segment), out of which 83 are relatively small (below 4% market share);

In 2022, EFSA is the market leader with a market share of 17.61%; it is also the leader on the LR segment having a market share of 30.53%, while its market share on the competitive segment is 12.82% (in accordance with ANRE September 2022 Report). Comparatively, in 2021, EFSA had a market share of 18.42% in total energy market; 30.59% of the LR market and a market share of 12.72% of the competitive market (ANRE report for December 2021).

Key financial indicators for Supply segment

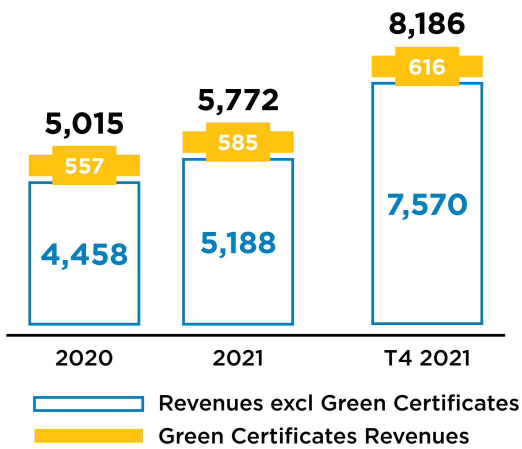
Revenues from the supply of electricity and natural gas increased in 2022 by approx. RON 2,413.6 mn., or 41.8%, to RON 8,186.0 mn., from RON 5,772.4 mn. in 2021.

This evolution represents mainly the effect of the increase of the sale prices of electricity on the retail market by 53%, but also of an increase of the quantity of electricity supplied by 8,7%.

Regarding EBITDA, the supply segment registered in 2022 a significant increase reaching the amount of RON 390.9 mn. (positive EBITDA) from RON 439.7 mn (negative EBITDA) recorded in 2021, and a significant improvement of the EBITDA margin from -7.6% in 2021 to 4.8% in 2022.

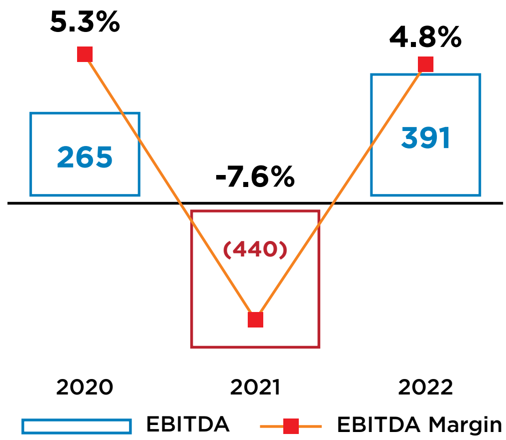
The supply segment has a net cash financial position which has increased compared to 2021 by approx. RON 1,207.7 mn, reaching the level of RON 1,449.3 mn. in 2022.

Figure 17: Revenues - supply segment (RON mn.)



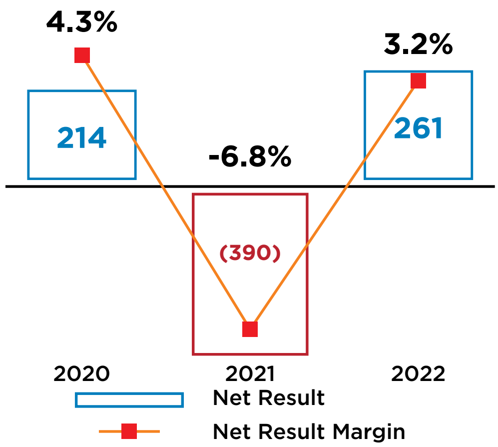
Source: Electrica

Figure 18: EBITDA - supply segment (RON mn.)



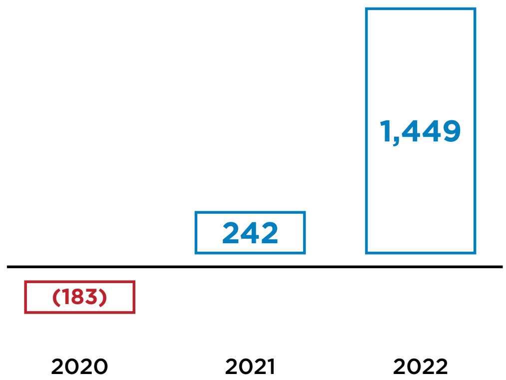
Source: Electrica

Figure 19: Net profit - supply segment (RON mn.)



Source: Electrica

Figure 20: Net debt/(Cash) - supply segment



Source: Electrica

1.2 Key events in 2022

During 2022 the following main events took place:

1.2.1 ELSA's General Meetings of Shareholders (GMS)

ELSA's General Meetings of Shareholders (GMS) and the main projects developed and completed during the year as a result of the approval received from ELSA's GMS

In 2022, one Ordinary General Meetings of Shareholders (OGMS) took place on 20 April, and four Extraordinary General Meetings of Shareholders (EGMS) was held on 21 March, 20 April, 9 June and, respectively, on 12 October.

On 28 January 2022, ELSA's BoD convened **the Extraordinary General Meeting of Shareholders (EGMS)** for **21 March 2022**, which mainly approved the empowerment of ELSA's representative in the EGMS of EFSA to vote for the total ceiling of short-term financing that can be contracted by EFSA during the 2022 financial year from bank institutions (commercial banks or international financial institutions) to finance the current activity in the amount of up to RON 1.5 bln, with ELSA's guarantee of maximum RON 1.65 bln. The EGMS resolution is avalable on Electrica's website:

https://www.electrica.ro/en/investors/general-meetings-of-shareholders/2022-gms/general-meeting-of-shareholders-as-of-21-march-2022/ .

On 28 February 2022, **ELSA's BoD convened the Ordinary General Meeting of Shareholders (OGMS) and the Extraordinary General Meeting of Shareholders (EGMS) of ELSA**, for 20 April 2022.

Within **the OGMS, ELSA's shareholders have mainly approved** the following:

- The Separate and Consolidated Annual Financial Statements for the financial year ended 31 December 2021, as well as the Budget of Revenues and Expenses for 2022 – both individual and at consolidated level;
- The distribution of the net profit for the financial year 2021: total gross dividend value of RON 152,798,852, the gross dividend per share of RON 0.4500, ex-date - 24 May, registration date - 25 May 2022, date of payment of dividends - 17 June 2022;
- The discharge of liability of the members of ELSA's BoD;
- The amendment of ELSA's Remuneration Policy for Directors and Executive Managers in force, by revising the provisions regarding the weights of the key performance indicators (KPI) and the principles underlying the calculation of the result of the annual evaluation of executive directors;
- The Remuneration Report for Directors and Executive Managers of ELSA.

The shareholders who participated in the EGMS mainly approved a ceiling of up to RON 900 mn. for the bond issues of Electrica for the period 2022-2023, as well as the empowerment of ELSA's BoD to take all measures to carry out and complete the bond issuance operations. The GMS resolutions are available on Electrica's website below:

https://www.electrica.ro/en/general-meeting-of-shareholders-as-of-20-april-2022/ .

On 15 April 2022, ELSA's BoD decided to convene the **Extraordinary General Meeting of Shareholders (EGMS)** of ELSA, for **9 June 2022**. During the EGMS, ELSA's shareholders have mainly approved the following:

- the empowerment of Electrica's representative to participate in EFSA's EGMS and vote for increasing the total ceiling of short-term financing that can be contracted by EFSA during the financial year 2022 for financing its current activity up to the amount of RON 1.7 bln. with Electrica's guarantee of maximum RON 1.87 bln.
- the empowerment of Electrica's representative, to participate in DEER's EGMS and to vote for the approval of a total ceiling of medium and long term financing that can be contracted by DEER during the financial year 2022 from banking institutions to cover the additional costs related to own technological consumption as well as to finance the working capital and the investment projects in value of up to RON 0.7 bln., with the guarantee of Electrica of maximum RON 0.77 bln.
- a total ceiling of guarantees (which will not be real guarantees) that may be granted by

Electrica for the above-mentioned financing in the amount of up to RON 1.87 bln. for EFSA and of up to RON 0.77 bln. for DEER.

The EGMS resolution is avalable on Electrica's website here: https://www.electrica.ro/en/investors/general-meetings-of-shareholders/2022-gms/general-meeting-of-shareholders-as-of-9-june-2022/

On 18 August 2022, ELSA's BoD decided to convene the **Extraordinary General Meeting of Shareholders (EGMS)** ELSA, for **12 October 2022**, the topics on the agenda being related to the update of the Articles of Association on the Company. The EGMS approved the new version of Articles of Association that was published here: https://www.electrica.ro/en/the-group/about/constitutive-act/

Changes in the structure of ELSA's Board of Directors (BoD) and its committees

At the beginning of 2022, the composition of the Board of Directors was as follows: Mr. Iulian Cristian Bosoanca, Mr. Gicu Iorga, Mr. Ion-Cosmin Petrescu, Mr. Adrian-Florin Lotrean, Mr. Radu Mircea Florescu, Mr. Dragos Valentin Neacsu and Mr. George Cristodorescu.

Regarding the position of **Chairman of ELSA's BoD**, it was occupied Mr. Iulian Cristian Bosoanca being elected in this capacity during the Board meeting of 15 December 2020 for the period starting from 1 January 2021 and until 31 December 2021. Subsequently, as result of the change of the Board structure, during the meeting of 6 May 2021, Mr. Iulian Cristian Bosoanca was re-elected as Chairman of the Board of Directors starting with 6 May 2021 and until 31 December 2021. On 15 December 2022, ELSA's BoD reelected Mr. Bosoanca as Chairman of the Board starting with 1 January 2023 until 31 December 2023.

Regarding the **composition of ELSA's BoD consultative committees**, as of 31 December 2022, the composition of the consultative committees of ELSA's BoD was the following:

The Audit and Risk Committee:

- Ms. Radu Mircea Florescu – Chairman;
- Mr. Dragos-Valentin Neacsu – Member;
- Mr. Iulian Cristian Bosoanca – Member.

The Nomination and Remuneration Committee:

- Mr. Adrian-Florin Lotrean – Chairman;
- Mr. Radu Mircea Florescu – Member;
- Mr. Ion Cosmin Petrescu – Member.

The Strategy and Corporate Governance Committee:

- Mr. Gicu Iorga – Chairman;
- Mr. George Cristodorescu – Member;
- Mr. Adrian-Florin Lotrean – Member.

In accordance with the decision of the Board of Directors of 20 December 2022, the composition of the committees will remain the same until 31 December 2023.

Regarding ELSA's executive management during 2022, several changes occurred, as follows:

- On 3 January 2022, the mandate agreement as Chief Financial Officer of Mr. Mihai Darie, will effectively terminate upon the end of the 4-year duration.
- On 3 January, ELSA's Board of Directors appointed Mr. Stefan-Alexandru Frangulea as interim executive director of the Financial Division starting 4 January 2022 until 31 December 2022.
- On 15 April 2022, the Company's Board of Directors took note of the notification submitted by Mr. Stefan-Ionut Pascu regarding his resignation from the position of Chief Business Development Officer and considers 30 April 2022 as the effective termination date, representing the last day on which the mandate contract was in force.
- On 5 May 2022, the Company's Board of Directors (BoD) decided to revoke Mrs. Georgeta-Corina Popescu from the position of Chief Executive Officer (CEO) without cause, starting with 16 May 2022, and appointed Mr. Chirita Alexandru-Aurelian, as interim

CEO, starting with 17 May 2022, for a period of 3 months, or until the appointment of a new CEO, respectively until the revocation.

- On 16 August, ELSA BoD decided to extend the appointment of Mr. Chirita Alexandru-Aurelian, Romanian citizen, as interim CEO, until 31 December 2022.
- During the meeting held on 29 December 2022, the Board of Directors decided to extend the appointment of Mr. Alexandru-Aurelian Chirita, as interim CEO, and Mr. Stefan-Alexandru Frangulea as Financial Executive Director until 28 February 2023 (inclusively), or until the appointment of a new CEO/CFO, respectively until the revocation, whichever occurs first, with the possibility of revoking the mandate granted at any time during the period.

Transactions with related parties

During 2022 ELSA published 34 announcements, according to art. 108 of Law no. 24/2017, reporting transactions concluded between DEER - OPCOM, EFSA - OPCOM, DEER – EFSA, EFSA - Transelectrica, EFSA – CEO, EFSA – Nuclearelectrica, EFSA - TEL, DEER - SNN, DEER - Eximbank in this period, whose cumulated value in the case of each announcement case exceeds the threshold of 5% of ELSA's net assets, calculated on the basis of Electrica's latest available individual financial statements.

Also, on 26 January 2022 ELSA published the Auditor's report regarding the transactions reported in H2 2021 according to Art. 108 Law 24/2017 (R), and on 29 July 2022 published the Auditor's report regarding the transactions reported in H1 2022 according to Art. 108 Law 24/2017 (R).

All these announcements and auditor's reports can be found on ELSA's website, at this address: https://www.electrica.ro/en/investors/results-and-reports/current-reports-art-108/.

For more details, please see chapter 3.4 in the current report.

Other relevant events

- By the Decision no H879/2022 of the Hungarian Energy and Public Utility Regulatory Authority, on 2 February 2022, an electricity trading License was granted to EFSA – the Company's supply subsidiary. This license will allow EFSA to register and trade electricity in Hungary, on the wholesale market, including the derivatives market, the operations being performed from EFSA's headquarters. Also, the Group holds a natural gas supply license valid until 2032.
- On 31 March 2022, at the recommendation of the Strategy and Corporate Governance Committee, the Board of Directors (BoD) of Electrica decided to reposition EEV1 within the Group by concluding a transaction between Societatea Electrica Furnizare SA (EFSA), as seller and sole shareholder of EEV1, and Electrica Productie Energie S.A. (EPE), as buyer.
- On 6 July 2022, Electrica signed, as buyer, a shares sales and purchase agreement ("SPA") in one project company, Green Energy Consultancy & Investments S.R.L., wholly owned by sellers, for a total estimated price of EUR 600,000. Green Energy Consultancy & Investments S.R.L. develops the photovoltaic project "Vulturu" with an installed capacity of 12 MWp DC (peak power at the level of the panels) and 9.75 MW AC (power authorized for delivery into the grid), located in the area of Vulturu commune, Vrancea county.
- On 7 July 2022 the company published the Sustainability Report for 2021. This is available on Electrica's website, at: https://www.electrica.ro/en/investors/results-and-reports/sustainability-reports/.
- On 15 July 2022, the company organised a workshop dedicated exclusively to proposals for amending the Articles of Association of the company. The purpose of the workshop is to clarify any questions formulated by the shareholders regarding the proposals for amending the Articles of Association, as well as to increase their commitment to this project.
- On 9 December 2022, Electrica entered into the shareholding structure of CCP.RO, following the approval of the Board of Directors therefore the company will own 8.06% of the share capital of CCP.RO.
- On 19 December 2022, the company signed two agreements for market making services for the Issuer with BRK Financial Group and Wood & Company Financial Services a.s. (Wood&Co) for a period of 2 years, starting with 3 January 2023.

Treasury matters

Loans related to third-parties

- On 25 January 2022, was signed the Credit Agreement no. 2022012502 concluded by DEER and BCR by which the Lender makes available to the Borrower a multi-product credit facility up to the value of RON 180 mn. for a period of 1 year, as follows: an Overdraft Facility with the validity 25 January 2023 and a Facility for issuing bank guarantees with the validity 25 January 2024. By the additional act no. 1 signed on 7 March 2022 the credit facility increased from RON 180 mn. to RON 220 mn.
- On 26 January 2022, the additional documents were signed for the group's subsidiaries, including for ELSA in order to extend the contract no. 3189/28 January 2020 for the IDL intraday credit limit concluded with ING Bank within the cash-pooling structure through which the bank makes available to the borrower a credit facility in the total amount of RON 210 mn. until 27 January 2023.
- On 2 February 2022, was signed the Credit Agreement no. 11673879 concluded by EFSA and Transilvania Bank, SE Electrica SA as co-debtor through which the Lender makes available to the Borrower a loan ceiling up to the value of RON 190 mn. until 31 July 2022.
- On 4 February 2022, was signed the Credit Agreement no. 17/8130/2022 concluded by EFSA and BRD Groupe Societe Generale SA, SE Electrica SA as co-debtor by which the Lender makes available to the Borrower a loan in the form of a ceiling up to the value of RON 220 mn. until 03 August 2022.
- On 18 February 2022, was signed the Credit Facility Agreement no. WB/C/14 concluded by EFSA and ING, SE Electrica SA as guarantor by which the Lender makes available to the Borrower a non-committing multi-product credit facility up to a maximum value of RON 170 mn. for issuing bank guarantees valid for 6 months minus 15 days from the date of the contract, respectively 2 August 2022.
- On 25 March 2022, was signed the Credit Facility Agreement no. WB/C/379 concluded by DEER and ING by which the Lender makes available to the Borrower a non-committing credit facility up to a maximum value of RON 220 mn. for the issuance of bank guarantees valid for 12 months from the date of the contract, respectively 25 March 2023.
- On 15 April 2022, Credit Agreement no. 20220416018 concluded by EFSA and BCR, SE Electrica SA as guarantor, whereby the Creditor provides the Borrower with a multi-product credit facility up to the value of RON 220 mn., as follows: an Overdraft facility valid until 14 April 2023 and a Facility for Guarantee Instruments valid until 15 April 2024.
- On 13 May 2022 was signed the Additional Act no. 1 to the Credit Facility Agreement no. WB/C/379 concluded by DEER and ING by which the Lender makes available to the Borrower an overdraft sublimit of up to RON 50 mn. from the total facility amount of RON 220 mn.
- On 19 May 2022, was signed the Credit Agreement no. GRIM/43778-CSG concluded by EFSA and UniCredit Bank SA having ELSA as Guarantor, by which the Lender makes available to the Borrower a multi-product credit facility up to the value of RON 220 mn. for a period of one year for overdraft, respectively 19 May 2023 and for issuing bank guarantees valid for two years from the date of the contract, respectively 19 May 2024 and by the additional act no. 1 to the Credit Agreement no. GRIM/43778-CSG signed on 15 June 2022 the credit facility increased from RON 220 mn. to RON 300 mn.
- On 26 May 2022, was signed the Credit Facility Agreement no. 20 concluded by DEER and Raiffeisen Bank by which the Lender makes available to the Borrower a non-committing revolving credit facility up to a maximum value of RON 220 mn. valid for 12 months from the date of the contract, respectively 26 May 2023.
- On 31 May 2022, was signed the Additional Act no. 4 to the Credit Facility Agreement no. 201910080129 concluded by EFSA and BCR which extends the validity of overdraft limit of RON 165 mn. until 31 May 2023 and for issuing bank guarantees until 7 October 2023.
- On 29 June 2022, was signed FX Hedging Agreement no. WB/C/1840 by and between DEER and ING Bank NV acting through its branch office ING Bank Amesterdam, Bucharest Branch through which parties enter into and become bound by foreign exchange hedging transactions for a secured amount of EUR 39 mn.
- On 30 June 2022, was signed the Additional Act no. 4 to the Loan Agreement no. 2406PJ/30 June 2020, concluded by DEER and Intesa Sanpaolo Bank, which removes the noncash character, converts the facility from RON to EUR and extends the duration for which the amount of EUR 27.3 mn. which can be borrowed by EFSA under the contract for 12 months, respectively 28 June 2023.

- On 01 August 2022, was signed the Additional Act no. 1/11673879 to the Loan Agreement no. 11673879/02 February 2022 concluded by EFSA and Banca Transilvania, SE Electrica SA as co-debtor, which extends the validity of the ceiling of RON 190 mn. until 31 August 2022.
- On 03 August 2022, was signed the Additional Act no. 1/03 August 2022 to the Loan Agreement no. 17/8130/2022 dated 04 February 2022 concluded by EFSA and BRD GROUPE SOCIETE GENERALE SA, SE Electrica SA as co-debtor, which extends the validity of the ceiling of RON 220 mn. until 03 February 2023.
- On 03 August 2022, additional Act no. 1 to the Credit Facility Agreement no. WB/C/14 dated 18 February 2022, concluded by EFSA and ING Bank NV, SE Electrica SA as guarantor, which eliminates the possibility of using the Credit Facility for the purpose of issuing guarantee instruments, and the date of the final repayment, respectively, the drawing period will not be later than 16 September 2022.
- On 29 August 2022, EFSA concluded with Banca Transilvania, SE Electrica SA as co-debtor, the additional no. 2 to the Loan Agreement no. 11673879/02 February 2022, extending the validity of the RON 190 mn. ceiling until 30 January 2023 and waives the limit of bank guarantees.
- On 06 September 2022, EFSA concluded with ALPHA BANK ROMANIA SA, SE Electrica SA as guarantor, Loan Agreement no. 350, in the amount of EUR 60 mn., through which the Creditor provides the Borrower with a revocable, revolving credit line facility, valid until 06 September 2023.
- On 15 September 2022, EFSA concluded with ING Bank NV, SE Electrica SA as guarantor, the additional no. 2 to the Loan Agreement no. WB/C/14 dated 18 February 2022, through which the date of final repayment, respectively the drawing period will not be later than 17 October 2022.
- On 17 October 2022, EFSA concluded with ING Bank NV, SE Electrica SA as guarantor, the additional no. 3 to the Loan Agreement no. WB/C/14 dated 18 February 2022, through which the Facility is denominated in EUR, the possibility of using the facility in RON is eliminated, and the date of final repayment will not be later than 17 February 2023.
- On 26 October 2022, EFSA concluded with Raiffeisen Bank SA, SE Electrica SA as guarantor, the additional no. 1 to the Loan Agreement no. 56 dated 26 October 2021, extending the validity of Overdraft limit until 29 January 2023, and the validity of the Facility for issuing letters of guarantee until 31 December 2024.
- On 13 December 2022, was signed the Additional Act no. 3 to the Loan Agreement no. 10091385 dated 16 December 2020 concluded by DEER and Banca Transilvania, which extends the validity of the Overdraft limit until 13 January 2023, and the validity of the Facility for issuing letters of guarantee until 14 December 2023.
- On 22 December 2022, DEER concluded with EXIMBANK, SE Electrica SA as guarantor, the Loan Agreement no. 1218, in amount of RON 250 mn., through which the Creditor provides the Borrower with a credit for financing the current activity and liquidity deficit for a period of 24 months, respectively 20 December 2024.
- On 23 December 2022, was signed the Additional Act no. 5 to the Loan Agreement no. GRIM/75912/2017 dated 19 July 2017 concluded by SE Electrica SA, ELECTRICA SERV and UniCredit Bank SA, extending the validity of Credit until 30 December 2030, and the validity of the Facility for issuing letters of guarantee until 31 December 2023.
- On 24 December 2022, was signed the Additional act no. 1 to the Loan Agreement no. 61 dated 24 December 2021, concluded by EFSA with Raiffeisen Bank SA, SE Electrica SA as guarantor, extending the validity of Overdraft limit until 24 December 2023, and the validity of the Facility for issuing letters of guarantee until 24 December 2024.
- On 27 December 2022, was signed the Credit Facility Agreement no. 165 concluded by EFSA and BNP PARIBAS, SE Electrica SA as guarantor, by which the Lender makes available to the Borrower a non-committed credit facility up to a maximum value of RON 240 mn. for the issuance of bank guarantees valid for 12 months from the date of the contract respectively 22 December 2023.
- On 30 December 2022, was signed the Loan Agreement no. FA 8376 for working capital and issuance of bank guarantees concluded by SE Electrica SA as Borrower and Vista Bank, by which the Lender makes available to the Borrower a non-committed credit facility of RON 100 mn. for a period of 18 months, respectively 29 June 2024.

Intragroup Loans

- On 21 January 2022, was signed the Additional Act no. 1 to the Intragroup Loan Agreement no. 87/23 December 2021 concluded by SE Electrica SA with EFSA, which extends the duration for which the amount of RON 130 mn. which can be borrowed by EFSA under the Contract until 23 April 2022.

- On 18 April 2022, SE Electrica SA concluded with EFSA a Framework Contract for issuing corporate guarantees in the form of parental guarantee type (PCG), valid until 31 December 2026, through which ELSA will issue corporate guarantees in the form of Parental Guarantee (PCG) in favour of EFSA, within the limits of the corporate approvals granted by the competent bodies within ELSA.
- On 21 April 2022, was signed the Additional Act no. 2 to the Intragroup Loan Agreement no. 87/23 December 2021 concluded by SE Electrica SA with EFSA, which extends the duration for which the amount of RON 130 mn. which can be borrowed by EFSA under the Contract until 23 May 2022.
- On 23 May 2022, was signed the Additional Act no. 3 to the Intragroup Loan Agreement no. 87/23 December 2021 concluded by SE Electrica SA with EFSA, which changes the amount to RON 60 mn. and extends the validity until 07 June 2022.
- On 14 June 2022, was signed a short-term Loan Agreement no. 40 concluded by SE Electrica SA and New Trend Energy SRL up to the value of RON 2.1 mn. until 13 June 2023.
- On 15 July 2022, was signed a short-term Loan Agreement no. 46 concluded by SE Electrica SA and Societatea Electrica Productie Energie SA up to the value of EUR 9.5 mn. until 14 July 2023 in order to acquire EEV1 shares.
- On 27 September 2022, SE Electrica SA concluded with Sunwind Energy SRL, the Loan Agreement no. 63, on a short-term basis, in amount of RON 1.2 mn., valid until 25 September 2023, in order to finance the costs that are the responsibility of SE Electrica SA.
- On 11 October 2022, SE Electrica SA concluded with New Trend Energy SRL the Additional act no. 1 to the Loan Agreement no. 40 dated 14 June 2022, for a new loan in amount of RON 0.35 mn., valid until 13 June 2023.
- On 27 October 2022, SE Electrica SA concluded with Green Energy Consultancy & Investments SRL, the Loan Agreement no. 68, on a short-term basis, in amount of RON 66.5 mn., valid until 26 October 2023, to finance the costs that are the responsibility of SE Electrica SA.
- On 09 November 2022, SE Electrica SA concluded with Sunwind Energy SRL, the Loan Agreement no. 73, on a short-term basis, in amount of RON 147.3 mn., valid until 27 October 2023, to finance the investments for the completion and operation of the photovoltaic plant "Satu Mare 2" (Botiz).

1.2.2 Litigations with significant impact on the financial performance

Case no. 3889/2/2018

On 22 November 2022, The High Court of Cassation and Justice rejected the appeal declared by ELSA against civil decision no. 707/2019, pronounced by the Bucharest Court of Appeal in file no. 3889/2/2018.

The file no. 3889/2/2018 has as object the annulment of the Competition Council Decision no. 77/20 December 2017, and in the alternative, the reduction of the fine established for ELSA up to the minimum legal level of 0.5% of ELSA's turnover, by re-individualizing the alleged anti-competitive act, with the retention and full capitalization of all mitigating circumstances applicable to ELSA.

By the Decision of the Competition Council no. 77/20 December 2017 was found the breaching of the provisions of art. 5 par. (1) of the Competition Law no. 21/1996 and art. 101 par. (1) TFEU by several companies which have sold meters and related measuring equipment for electricity in Romania, in the procedures for the award of supply contracts in the period from 27 November 2008 to 30 September 2015 and by Electrica, as a facilitator, in the period from 24 November 2010 to 30 September 2015.

The sanction applied to Electrica consists in a fine amounting to 10,800,984.04 lei, representing 2.98% of the total turnover achieved in the financial year 2016. In determining the amount of the fine, it was taken into account that (i) Electrica cooperated fully and effectively with the Competition Council Public during the investigation procedure, outside the scope of the leniency policy and beyond the legal duty to cooperate, and (ii) it is for the very first time when the authority retains the role of facilitator for a company organizing public procurement procedures. On the merits of the case that was the subject of file 3889/2/2018, by Sentence no. 707/25 February 2019, the Bucharest Court of Appeal rejected the annulment action as unfounded.

The file was finally resolved by rejecting the appeal declared by ELSA against the above Sentence.

Case no. 887/90/2013

On 6 April 2022, the final updated consolidated table of the debts owed by Oltchim S.A. was published in IPB no. 6100, updated as a result of (i) the distributions made on account of the receivables, (ii) the issued court decisions (iii) the decision of the European Tribunal of Justice in Luxembourg, pronounced on 15 December 2021, in case T565/19 which remained final. In the final consolidated table, updated as indicated above, Electrica is registered with the amount of RON 116,058,538, representing the secured claim, with the right to vote.

Electrica's receivable was modified because of the decision of the European Tribunal of Justice in Luxembourg, pronounced on 15 December 2021, in case T565/19, a decision that partially annulled the Decision of the European Commission no. C (2018) 8592 final, dated 17 December 2018, which established a series of measures regarding the recovery by Romania of the state aid granted to Oltchim SA, in violation of art.108 paragraph 3 of the TFEU, through some companies, including Electrica. In its ruling, the European court annulled several measures to recover state aid established by the European Commission, including Measure 3, which also refers to the total amount of RON 554,959,671.97 (RON 45,106,237.96 representing the secured debt and the amount of RON 509,853,434.01 representing the unsecured debt), considered state aid with which Electrica was listed in the table of debts.

The decision is final.

File no 371/33/2017

On 28 March 2022, the dispute between DEER and D.G.R.F.P. Cluj Napoca - A.J.F.P. Maramures and ANAF which is the subject of file no. 371/33/2017, was definitively resolved by the High Court of Cassation and Justice, by admitting the appeal declared by DEER against the civil sentence no. 163 of 8 July 2019, pronounced by the Cluj Court of Appeal, the partial annulment of the appealed sentence and the annulment of Decision no. 275 of 31 October 2016 regarding the settlement of the DEER appeal, of the Taxation Decision no. F-MM 180 of 30 March 2016 (total amount RON 32,295,033) and of the Fiscal Inspection Report no. F-MM 160 of 30 March 2016 and for the additional profit tax for 2009 and related accessories, maintaining the other provisions of the appealed sentence and rejecting the appeals declared by the defendants D.G.R.F.P. Cluj-Napoca - Maramures County Administration of Public Finance and the National Agency for Fiscal Administration (ANAF) against the same sentence, as unfounded. We mention the fact that, by the decision of 8 July 2019, the court admitted in part the action filed by the plaintiff Societatea de Distributie a Energiei Electrice Transilvania Nord SA (currently DEER), in contradiction with the defendants D.G.R.F.P. Cluj Napoca and ANAF, partially annulled Decision no. 275/31 October 2016 regarding the settlement of the appeal, with the consequence of partially admitting the appeal, partially annulled the Tax Decision no. F-MM 180 of 30 March 2016 and the Fiscal Inspection Report no. F-MM 160 of 30 March 2016, respectively regarding the additional payment obligations established in charge of the plaintiff, consisting of VAT for the period 01 December 2009 – 31 August 2015 and their ancillary obligations, respectively interest/increase of delay and penalties related to VAT, maintaining, for the rest, the contested acts, including regarding the additional payment obligations consisting in profit tax for the period 01 January 2009 – 31 December 2014 and its ancillary obligations, respectively interest/increase of delay and penalties related to the profit tax.

CORPORATE IMAGE

In 2022, Electrica climbed to the 7 place in the ranking of the most valuable Romanian brands, with a market value estimated at EUR 203 mn., an increase of 24.5% compared to the previous year. It is the highest position occupied so far by Electrica.

In terms of transparency, Electrica has shown its openness to the various stakeholders by publishing, in the last six years, sustainability reports, which contain detailed information on all companies in the group. They can be found on the company's website and have been the basis of reports on sustainability issues: https://www.electrica.ro/en/investors/results-and-reports/sustainability-reports/

CERTIFICATIONS

In November 2022, Electrica S.A. obtained from the certification body SRAC CERT affiliated IQNet the recertification of the integrated Management System quality – Environment – SSM in accordance with the requirements of international reference standards SR EN ISO 9001:2015, SR EN ISO 14001:2015 and SR ISO 45001:2018 as well as the certification of the information Security Management System in accordance with the requirements of the international standard SR EN ISO/IEC 27001:2018. The validity of the certificates is October 2025.

In 2022, FISE also passed the audit of the external certification body for the recertification of the Quality - Environment - SSM Integrated Management System implemented according to the requirements of the reference standards ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018, successfully completing it through obtaining certification.

During 2022, the companies DEER and EFSA completed annual surveillance audits of the Quality - Environment - SSM Integrated Management System implemented according to the requirements of the reference standards ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018, audits carried out by the external certification body SRAC Cert. No major non-conformities were identified.

1.2.3 Distribution segment

For the **distribution segment**, the significant changes in the Romanian legislation were detailed at *Appendix 3.1.1.* Based on these changes, the expected effects refer to:

- GEO no. 27/2022 regarding the measures applicable to final customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023: i) to cover the additional costs related to network losses for 2021, ANRE amends the regulated tariffs, with applicability starting with 1 April 2022, and the resulting tariffs do not change between 1 April 2022 and 31 March 2023; ii) the additional costs financed from bank loans made during the GEO period to cover the network losses are capitalized, with a duration of 5 years and RRR = 50% x RRR RP4; iii) the electricity costs purchased for network losses after the date of entry into force of the GEO will be recognized in the regulated tariffs, according to the ANRE methodologies; iv) the transmission and distribution tariffs will be modified according to the costs registered until 31 March 2023, in a period of up to 5 years, after 31 March 2023; v) producers in the portfolio of the Romanian state, have the obligation to respond in 5 working days with partial or total sales offers, energy purchase requests addressed by TSO and DSO, individually or in aggregate, directly or through dedicated platforms in the organized market.
- ANRE requested through a written address to the distribution operators the transmission of the data for monitoring the simulation of the application of binomial tariffs for the year 2022, with a deadline of 31 March 2023.
- GEO no. 119/2022 for the amendment and completion of GEO no. 27/2022 regarding the measures applicable to end customers in the electricity and natural gas market in the period 1 April 2022—31 March 2023, as well as for the modification and completion of some normative acts in the field of energy - in force starting from 1 September 2022: (i) the additional costs with the purchase of electricity, made between 1 January 2022 and 31 August 2023, in order to cover the NL, compared to the costs included in the regulated tariffs (and not only the loans), are capitalized quarterly, RRR = 50% of the RRR applicable to each periods; (ii) electricity producers have the obligation to sell electricity available for delivery until 31 December 2022, through direct negotiated contracts starting on 1 September 2022, only to electricity suppliers that have final customers in their portfolio, intended exclusively for consumption to them, DO, TSO and consumers who have benefited from the provisions of GEO nr. 81/2019; GEO no. 119/2022 was approved and amended by Law 357/2022.
- GEO no. 153/2022 for the amendment and completion of GEO no. 27/2022 regarding the measures applicable to final customers in the electricity and natural gas market in the period 1 April 2022-31 March 2023, as well as for the amendment and completion of some normative acts in the field of energy and the amendment of the GEO no. 119/2022 for amending and supplementing the GEO no. 27/2022 regarding the measures applicable to final customers in the electricity and natural gas market in the period 1 April 2022-31 March 2023, as well as for the modification and completion of some normative acts in the field of energy: (i) in **the period 1 January 2023-31 March 2025** the mechanism for the centralized purchase of electricity is established; (ii) OPCOM is designated as the sole purchaser, it buys the electricity from the planned producers and sells the purchased

electricity to the electricity suppliers who have contracts concluded with end customers, the electricity transport and system operator and the electricity distribution operators, for covering the own technological consumption of the networks operated by them. DO can buy from OPCOM through an annual/monthly mechanism 75% of the amount of NL forecasted and validated by ANRE at the price of 450 RON/MWh, and producers can sell to OPCOM through an annual/monthly mechanism 80% of the amount produced forecasted and validated by ANRE and Transelectrica at the price of 450 RON/MWh.

- Proposal to modify the Investment Procedure, considering the recognition of DO investments in energy storage and production for control and NL: (i) inclusion in the category of justifiable investments of energy production installations from renewable sources for NL supply and control consumption from the station; (ii) the inclusion in the category of necessary investments of electricity storage facilities; (iii) the possibility for DO to own storage facilities, by way of exception from the provisions of the Energy Law (art. 46^1 para. (1)), only with prior approval by ANRE; (iv) establishing the method of calculating the economic efficiency of investments in production/storage, to be recognized by ANRE.

1.2.4 Supply segment

The regulatory framework has undergone significant changes over the past decade, including the liberalization of electricity and natural gas markets, the separation of supply and distribution activities, the implementation of the support scheme for renewable energy, the support of electricity prosumers and the capping of prices to final customers.

In 2022 the electricity market was completely liberalized for all categories of customers and the price was established by suppliers through free market mechanisms, both for universal service offers and for the offers related to the competitive market.

Regulated market

Starting with 1 November 2021, against the background of the increase in the price of energy and natural gas on the international and national markets, the energy crisis, as well as the effects caused by these increases in the use of population, in Romania, a series of support schemes have been applied to consumers of electricity and gas, by establishing compensation and capping schemes between 1 November 2021 and 31 March 2025.

Competitive market

Transactions on the competitive wholesale market are transparent, public, centralized and non-discriminatory. Participants on the wholesale market can trade electricity based on bilateral contracts concluded on dedicated markets.

The following support mechanisms were implemented:

- compensation of domestic consumers for part of the electricity bill (1 November 2021 to 31 March 2022);
- price ceiling for domestic and non-domestic consumers (1 November 2021 – 31 March 2025);
- exemption of several types of consumers from paying regulatory tariffs and other taxes/contributions (1 November 2021 to 31 January 2022).

The compensated amounts will be received from the National Agency for Payments and Social Inspection ("ANPIS") for domestic consumers and from the Ministry of Energy for non-domestic consumers.

During the year 2022, a series of legislative changes were made, with a significant impact on the electricity supply activity, as follows:

- Eliminating the capped price for electricity for domestic customers with consumption over 255 KWh/month and limiting the application of the capped price for non-domestic customers (limiting the quantities to which the capped price is applied, as well as the types of customers to whom the capping is applied prices);
- Limiting the average purchase rate considered for determining the amounts to be recovered from the state budget to 1,300 RON/MWh; with the exception of the purchase intended for supply as a last resort, where this limitation does not apply;
- The obligation to store underground natural gas of a minimum stock of natural gas at the level of 30% of the amount of natural gas required for the consumption of final customers

from their own portfolio/own consumption;

- The obligation of natural gas producers to sell at the price of 150 RON/MWh the quantities necessary to supply domestic customers/heat energy producers;
- Between 1 January 2023 and 31 March 2025, the Centralized Electricity Purchase Mechanism (MACEE) is established;
- The mechanism provides - OPCOM, as the sole purchaser, buys electricity from producers (electricity producers with an installed power equal to or greater than 10 MW) and sells the purchased electricity to electricity suppliers who have contracts with end customers, to the operator of the electric energy transport system and to the operators of the electric energy distribution system to cover their own technological consumption; the price paid by OPCOM to energy producers, for the quantities of electricity sold, is 450 RON/MWh, and the selling price of OPCOM to economic operators is also 450 RON/MWh (OPCOM has the right to charge market participants tariffs/commissions at the level of costs recorded through the organization of the centralized mechanism for purchasing electricity). In order to carry out the transactions, OPCOM will organize a monthly annual purchase procedure, as well as an additional monthly purchase procedure, for the quantities of electricity to be delivered in the following month; the annual and monthly quantities of electric energy are firm obligations of the electricity producers and economic operators for all disconnection intervals every month (contracts are concluded by signing, within a maximum of 3 working days).

Green certificates

Electricity suppliers have the legal obligation to purchase green certificates from renewable energy producers, based on the annual targets or quotas established by law, which apply to the amount of electricity purchased and supplied to final consumers. The cost of green certificates is billed to final consumers separately from electricity tariffs.

The impact of the increase in energy prices

After the total liberalization of the electricity market from 1 January 2021 for all types of consumers, the international context of energy markets characterized by an imbalance between demand and supply at the European level, combined with the energy policies developed both at the EU level and at the national level, it led to an increase in electricity prices. Moreover, the strong increase in energy prices is both the result of external factors, such as the exponential increase in the price of emission certificates, and of internal factors, such as the very high share of energy traded on the day-ahead market (DAM). The entire energy sector was affected by the increase in the price of electricity.

The difficult conditions mentioned above led to an increase in operating expenses, mainly for the purchase of energy for NL and for the supply activity. The unstable economic environment led to a decrease in the financial performance for the year 2021, but during the year 2022 the financial performance improved significantly, due to the security measures for the purchase of electricity for the supply segment and for the distribution segment that benefits from the capitalization of additional costs with its own technological consumption, but without significant difficulties in collecting receivables and, consequently, paying off debts.

Due to the recent changes in the world energy market, including the EU, each member state of the European Union must modify its legislative framework of the energy sector in order to protect the interests of civil society, on the one hand, and on the other hand to ensure a balance and adequate functionality on the local energy market by supporting energy suppliers.

1.3. Subsequent events to the balance sheet date

Below are the relevant events that took place at the Group level in the period between the 2022 financial year closing and the date of the present report.

- On 20 January 2023, the Ministry of Energy, as the concessionaire, amended the concession agreement with the Electrica Group for the distribution segment to reflect that, in the event of early termination of the concession agreement, for any reason, the concessionaire would reimburse the Group the amount the current cost of purchasing electricity for own technological consumption compared to the costs included in the regulated tariffs.

- On 27 January 2023, Electrica's Board of Directors decided to establish of a new consultative committee within its structure, the Climate Governance and Public Affairs committee.
- On 6 February 2023, Electrica has closed the acquisition of the project company Green Energy Consultancy & Investments S.R.L, having as main object of activity the production of energy from photovoltaic sources (ready-to-build project).
- On 27 February 2023, at the recommendation of the Nomination and Remuneration Committee, the Board of Directors decided to extend the duration of the mandate of Mr. Alexandru-Aurelian Chirita as interim CEO until 30 April 2023 (inclusively), under the same conditions as well as to extend the duration of the mandate of Mr. Stefan-Alexandru Frangulea as interim CFO for a period of 2 years, until 27 February 2025 (inclusively), under the same conditions.
- On 7 March 2023 the company published the Convening of the Ordinary General Meeting of Shareholders and Extraordinary General Meeting of Shareholders of Societatea Energetica Electrica S.A. that will be held on 27 April 2023.
- On 7 March 2023, the company published the individual and consolidated financial statements as at and for the year 2022 prepared in accordance with Order of Ministry of Public Finance 2844/2016, the Board of Directors' Report for FY 2022 related to the above, as well as the related auditor reports. These are submitted for the approval of the Ordinary General Meeting of Shareholders of Electrica on 27 April 2023.
- During the meeting held on 14 March 2023, the Board of Directors decided, at the recommendation of the Nomination and Remuneration Committee, the appointment of Ms. Ioana - Andreea Lambru, Romanian citizen, as Chief Business Development Officer starting with 15 March 2023, for a four-year period.

Transactions with related parties

In 2023, until 21 March 2023, ELSA published 8 announcements, according to art. 108 of Law no. 24/2017, reporting transactions concluded between EFSA – OPCOM, DEER - OPCOM, DEER – EFSA, EFSA - Transelectrica, DEER - Hidroelectrica in this period, whose cumulated value in the case of each announcement case exceeds the threshold of 5% of ELSA's net assets, calculated on the basis of Electrica's latest available individual financial statements.

On 31 January 2023 ELSA published the Auditor's report regarding the transactions reported in H2 2022 according to Art. 108 Law 24/2017 (R).

All these announcements and auditor's reports can be found on ELSA's website, at this address: https://www.electrica.ro/en/investors/results-and-reports/current-reports-art-108/.

For more details, please see chapter 3.4 in the current report.

Treasury aspects

Loans related to third-parties

- On 09 January 2023, was signed the Additional Act no. 2 to the Loan Agreement no. 2022012502 concluded by DEER and BCR which extends the validity of overdraft limit of RON 220 mn. and the validity for issuing bank guarantees until 25 January 2024.
- On 18 January 2023, was signed the Additional Act no. 4 to the Loan Agreement no. 10091385 dated 16 December 2020 concluded by DEER and Banca Transilvania, which extends the validity of Overdraft limit until 01 February 2024, and the validity of the Facility for issuing letters of guarantee until 01 February 2025.
- On 23 January 2023, was signed the Additional Act no. 1 to the Loan Agreement no.350 dated 06 September 2022 concluded by EFSA and Alpha Bank Romania, SE Electrica SA as guarantor, in amount of EUR 60 mn., through which is added the movable mortgage over receivables.
- On 27 January 2023, was signed the Additional Act no.5 to the Credit facility agreement no. 3189 dated 28 January 2020, in amount of RON 210 mn., concluded by SE Electrica SA and ING Bank, withing the cash pooling structure, extending the validity until 27 February 2023. At the same time, additional acts for the intraday credit limit, within the cash-pooling structure, were concluded between DERR, EFSA, SERV, EEV1, SE Electrica SA and ING Bank, with validity until 27 February 2023.
- On 27 January 2023, EFSA concluded with Raiffeien Bank, SE Electrica SA as guarantor, the

Additional act no. 2 to the Loan Agreement no. 56, dated 26 October 2021, which extends the validity of the overdraft until 28 April 2023 and the validity of the facility for issuing bank guarantees until 31 December 2024.

- On 30 January 2023, EFSA concluded with Banca Transilvania, SE Electrica SA as co-debtor, the Additional Act no.3 to the Loan Agreement no.11673879/02 February 2022, in amount of RON 190 mn., which extends the validity of the facility until 30 January 2024 and changes the commercial conditions.
- On 03 February 2023, EFSA concluded with BRD the Additional Act no.2 to the Loan Agreement no. 17/8130/2022 dated 04 February 2022, SE Electrica SA as co-debtor, in amount of RON 220 mn., which extends the validity until 05 March 2023.
- On 07 February 2023 was signed the Additional Act no. 4 to the Loan Agreement no. 111 dated 16 April 2019, for credit line and issuance of bank guarantees, in amount of RON 160 mn., between SE Electrica SA, EFSA, SERV and BNP PARIBAS, which modifies the commercial conditions.
- On 17 February 2023, EFSA concluded with BNP Paribas, SE Electrica SA acting as guarantor, the Additional Act no. 1 to the Loan Agreement no. 148 dated 24 December 2021, for issuing bank guarantees, in amount of RON 220 mn., which modifies the commercial conditions and validity of the bank guarantees.
- On 17 February 2023, EFSA signed with ING Bank, SE Electrica SA acting as guarantor, the Additional Act no. 4 to the Loan Agreement no. WB/C/14 dated 18 February 2022, in amount of EUR 34.3 mn., which extends the validity until 16 March 2024.
- On 20 February 2023, was signed the Credit Facility Agreement no. 49183, concluded by DEER and Garanti BBVA, SE Electrica SA as guarantor, a non-cash facility for the issuance of bank guarantee in amount of RON 103 mn. and validity 20 February 2025.
- On 27 February 2023, was signed the Additional Act no. 6 to the Credit facility agreement no. 3189 dated 28 January 2020, in amount of RON 210 mn., concluded by SE Electrica SA and ING Bank, withing the cash pooling structure, which modifies the commercial conditions and establishes the automatic renewal of the facility. At the same time, additional acts for the intraday credit limit, within the cash-pooling structure, were concluded between DERR, EFSA, SERV, EEV1, SE Electrica SA and ING Bank, regarding the automatic renewal.
- On 03 March 2023, was signed the Additional Act no.3 to the Loan Agreement no. 17/8130/2022 dated 04 February 2022, concluded by EFSA and BRD, SE Electrica SA as co-debtor (corporate guarantee), in amount of RON 220 mn., which extends the validity until 02 February 2024.
- On 13 March 2023, was signed the Additional Act no.5 to the multi-product Credit Facility Agreement no. 201910080129, for overdraft and issuance of bank guarantee letters, concluded by EFSA and BCR, which increases the value of the overdraft limit up to RON 165 mn..
- On 17 March 2023, was signed the Loan Agreement no. 53747, concluded by DEER and BERD, SE Electrica SA as guarantor, in amount of RON 180 mn., for working capital.

Legislation

The legislative changes with significant impact in the activity of the Electrica Group and published in the period between the closure of the financial year 2022 and the date of this report are presented in Appendix A.3.2..

2 Electrica Group

2.1. Organizational structure

The Electrica Group is one of the main distributors and suppliers of electricity on the Romanian market.

The main activity segments of the Group consist of the distribution of electricity to users, the supply of electricity to domestic and non-domestic consumers, the segment of services related to external distribution networks as well as the segment regarding the production of electricity from renewable sources.

Currently, the Group includes the parent company of the Group, Societatea Energetica Electrica SA ("ELSA") and the following subsidiaries and associated entities:

- **Distributie Energie Electrica Romania S.A. („DEER")** resulted from the merger through absorption of the three distribution subsidiaries Societatea de Distributie a Energiei Electrice Muntenia Nord ("SDMN"), Societatea de Distributie a Energiei Electrice Transilvania Sud ("SDTS") and Societatea de Distributie a Energiei Electrice Transilvania Nord ("SDTN"), the last one being the absorbing company. DEER is the main electricity supplier in Transilvania Nord area (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita Nasaud counties), Transilvania Sud area (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties) and Muntenia Nord area (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties), ensuring the service of network users by operating the installations that work at 0.4 kV to 110 kV (power lines, substations and transformation stations). DEER holds exclusive distribution licenses for the aforementioned regions, which have a validity period until 2027, with the possibility of extension for a period of 25 years;
- **Electrica Furnizare S.A. („EFSA"),** company whose main activity is the supply of electricity to final consumers. EFSA holds an electricity supply license that covers the entire territory of Romania, which was renewed in 2021 for a period of 10 years, and a license for carrying out the activity of natural gas supply, valid until 2022. In view the expansion of the economic activities of Electrica Furnizare S.A. (EFSA) in Hungary, the electricity trading license was granted by the Hungarian Energy and Public Utilities Regulatory Authority (MEKH) for Electrica Furnizare, by Decision no. H879/2022. Also, the Group holds a natural gas supply license valid until 2032.
- **Electrica Serv S.A. („SERV")** starting on 30 November 2020, the company absorbed Servicii Energetice Muntenia SA („SEM"), following a merger process. SERV provides repair services and other related services to third parties and various services to the companies in the group (car rental, building rental, etc.).
- **Electrica Productie Energie S.A. („EPE")**, company established in 2021, with the purpose of acquisition and development of electricity generation projects from renewable sources, respectively the operation of energy generation capacities, combined with the development and operation of independent storage solutions that the company intends to develop future. On 31 March 2022, upon the recommendation of the Strategy and Corporate Governance Committee, BoD ELSA decided to reposition Electrica Energie Verde 1 SRL (EEV1) within the Group by concluding a transaction between EFSA, as the seller and sole shareholder of EEV1, and Electrica Production Energie S.A. (EPE), as a buyer. The actual transaction took place on 15 July 2022, completed by completing the legal formalities at the Trade Registry Office on 21 July 2022.
- **Sunwind Energy S.R.L. („SWE")** is developing the photovoltaic project "Satu Mare 2" with a designed installed capacity of 27 MW, located near Satu Mare and became subsidy on 21 March 2022 as a result of ELSA owning 60% of shares.
- **New Trend Energy S.R.L. („NTE")** develops the photovoltaic project „Satu Mare 3", with a designed capacity of 59 MW, located near Satu Mare and became subsidy on 27 May 2022 as a result of ELSA owning 60% of shares.
- **Green Energy Consultancy & Investments S.R.L. („GEC&I")** develops the photovoltaic

project „Vulturu" with a design capacity of 12 MWp DC (peak power at the panels level) and 9.75 MW AC (evacuating power in the network) located in the Vulturu village area, Vrancea county and became subsidy on 06 September 2022 as a result of ELSA owning 75% of shares. On 06 February 2023, ELSA bought the remaining shares up to 100%.

Table 4. ELSA's subsidiaries

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2022
Distributie Energie Electrica Romania S.A. („DEER")	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	99.99999929%
Electrica Furnizare S.A. ("EFSA")	Electricity and natural gas supply	28909028	Bucuresti	99.9998444099934%
Electrica Serv S.A. ("SERV")	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	99.99998095%
Electrica Productie Energie S.A ("EPE")	Production of electricity	44854129	Bucuresti	99.9920%
Electrica Energie Verde 1 SRL* („EEV1" – former Long Bridge Milenium SRL)	Production of electricity	19157481	Bucuresti	100%*
Sunwind Energy S.R.L. ("SWE")	Electricity generation	42910478	Constanta	60%
New Trend Energy S.R.L. ("NTE")	Electricity generation	42921590	Constanta	60%
Green Energy Consultancy & Investments S.R.L. ("GEC&I")	Electricity generation	29172101	Prahova	75%

Source: Electrica

*indirect shareholding - Electrica Energie Verde 1 SRL is 100% owned by the subsidiary EPE

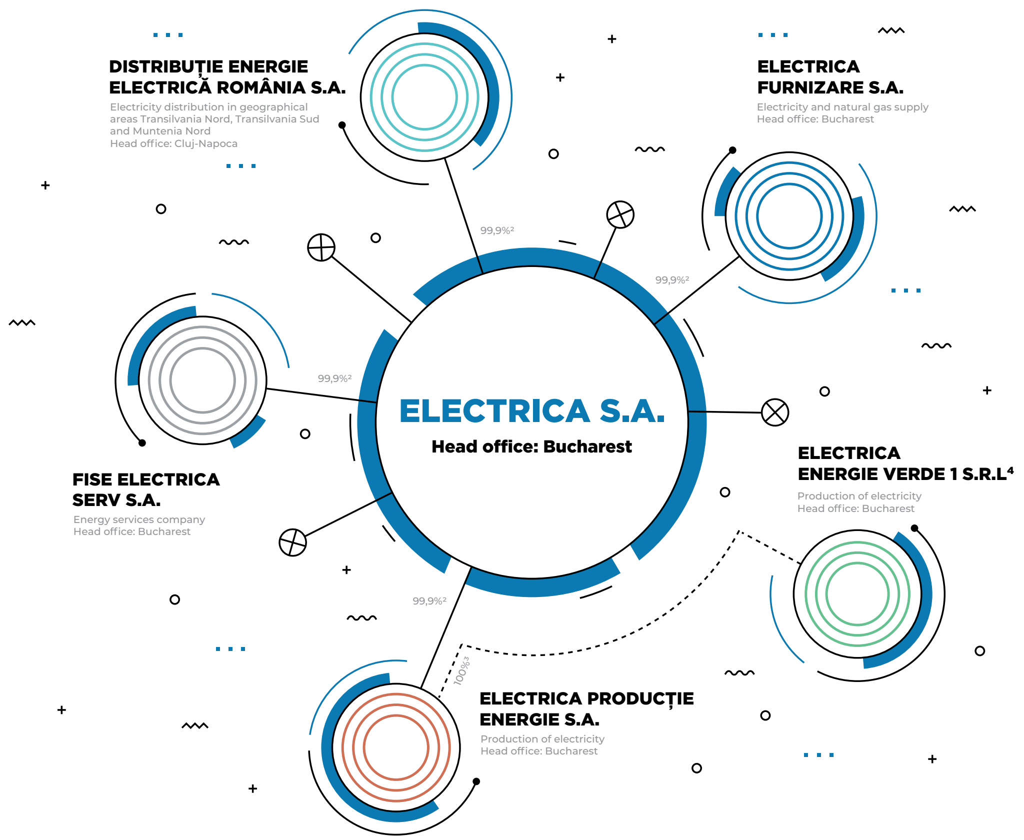


Table 5. ELSA's associates

Associate	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2022
Crucea Power Park S.R.L. ("CPP")	Production of electricity	25242042	Constanta	30%
Foton Power Energy S.R.L. ("FPE")	Production of electricity	43652555	Constanta	30%

Source: Electrica

- **Crucea Power Park S.R.L. („CPP")** develops the wind project "Crucea Est", with a designed installed capacity of 121 MW and a projected electricity storage capacity of 60 MWh (15 MW x 4h), located outside the Crucea commune, Constanta county.
- **Foton Power Energy S.R.L. („FPE")** develops the photovoltaic project "Bihor 1", with a designed installed capacity of 77.5 MW, located near Oradea city.

Table 6. Long term investments owned by ELSA

Company	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2022
CCP.RO Bucharest S.A. („CCP.RO")	Financial brokerage activities, exclusively insurance activities and pension funds (risk management through derivative products on the energy market)	17777754	Bucuresti	8.06%

Source: Electrica

- On 8 December 2022, the effective subscription was made in the amount of RON 7 mn., equivalent to 8.06% of the share capital of the company CPP.RO Bucharest S.A. after the increase of the share capital, CCP.RO thus becoming a financial investment owned by ELSA for the long term.

2.2. Mission, vision, values

Electrica Group substantiates its future business development by adapting to the market context and highlighting the specific elements of its companies.

MISSION

Energy – anywhere, anytime, for anyone! We bring energy where people materialize their dreams.

VISION

Integrated leader in the energy sector, a significant contributor to the sustainable energy transition process for customers, the environment and communities

VALUES

Trust – we are the partner you can rely on, now and in the future.

Competence – we build with skill. We are proud of the role our work gives us within society.

Safety – we are always careful with the safety of our employees, collaborators and the communities in which we work.

Sustainability – our solutions are long term and friendly for the enviroment as well as for the people.

2.3. Key elements of the 2019 – 2023 Corporate Strategy

The Corporate Strategy for the period 2019-2023, which reflects the Board of Directors' vision of the management of activities in the stakeholders' best interest, both on a medium and a long-term horizon, has been formulated after an analysis of the following areas:

- the external environment, to determine the main environmental factors affecting the electricity market and the key drivers that can significantly influence the evolution of the electricity market in the future;
- industry analysis, in order to identify trends in the electricity market, assess the market attractiveness and determine the critical success factors necessary for competing and surviving in this market;
- internal analysis of the Group, to assess its past and current performance (relative to other market players).

Electrica Group remains dedicated to ensuring the balance between generating value for its customers and maximizing profit for shareholders, strengthening its position in the market while expanding into complementary segments, within a culture of ethics, integrity and sustainability.

Governance and investor relations remain priorities for the Group, aiming the constant improvement and the implementation of best practices in corporate governance and investor relations areas.

For the 2019-2023 period, the Group's strategic objectives were updated in 2022 and represent the main directions to which the current activities are aligned:

- Increase in market value Electrica SA - sustainable increase in the price of electricity share and inclusion in relevant market indices (local and international);
- Business expansion in other complementary segments – electricity production, electricity storage and international expansion for production and supply areas;
- Maximization of performance in managed infrastructure – streamlining the business in the area of electricity distribution for the current regulatory period (RP4) and RP5 preparation, while optimizing the cost structure;
- Integrated leader of energy services and solutions - market strategy revised in the dynamic context of the energy sector and capitalization of client portfolio through sales of energy services with added value;
- Agilization and digital transformation of the business – increased capacity to adapt and react to the context of the sector, digital transformation of the business and capitalization of all synergies in the group.

In addition to the traditional areas of interest, namely the electricity distribution, electricity supply and natural gas and energy services, there is a high interest for the development of new activites, based on innovative technology, while continuing to monitor and analyze the opportunities for growth through mergers and acquisitions. Also, a closer relationship with the clients is pursued, based on the development of competencies, as well as on an offer of products and services in line with their needs.

In order to ensure the implementation of the strategic plan for the period 2019-2023, the company's HR strategy aims to provide the qualified human resources, necessary to support the initiatives that ELSA has proposed for the next period, considering an emphasized dynamic of the labor market. Thus, the HR strategy aims to ensure staff to increase operational performance and achieve the strategic objectives of the Group, modernizing the organization by implementing an organizational culture having as central elements excellence and safety, for staff and collaborators, modernizing the employer image and implementing a coherent system for performance management and employee evaluation.

Also, an important role will be played by the optimization of the IT&C support functions and and alignment with industry-specific trends and solutions. In this context, beyond the processes' digitization and their integration in IT platforms, the development of smart grids, the smart meters' integration in the rhythm of their implementation plan, support for the operationalization of prosumers etc. are provided in the distribution area. In the supply area, the development of a customer-friendly interface, the automation of contracting, reporting, and invoicing processes and data exchange with all Romanian distributors are critical elements supported by IT&C in order to provide strategic advantages to the Group's business segments.

The improvement of the corporate governance framework is continued, closely following the Corporate Governance Action Plan established with EBRD starting with 2014. It was approved the establishment of the Climate Governance and public Policy Committee to prepare the framework for the implementation of initiatives to help meet the EU's zero greenhouse gas emissions target by 2050 and ensure the long-term resilience of the Group's companies, from the perspective of the potential structural changes in the business environment resulting from climate change.

Distribution segment

In the distribution segment, the organizational transformation process, started since 2017, has been developed and implemented, through the operationalized initiatives, measures aiming the efficiency and continuous improvement of the activity.

Moreover, at the end of 2019 the implementation of the newly approved strategy at the Group level was initiated - through the perspective of the megatrends that mark the energy industry (decarbonisation, decentralization, digitalization), which reveals a significant transformation process, accelerated internationally, but initiated nationally, also. The economic context at national level, which brings additional pressure on the regulated activities, and the strategic priorities assumed in the field of energy urgent the need for transformation also at the level of electricity distribution companies, these becoming one of the important pillars for the transformation of the energy system. The need and principles for transforming the business model were analyzed in detail from the perspective of several implementation scenarios - from individual optimization to the legal merger of the three distribution operators. The latter, achieved at the end of 2020, through the proposed organizational model and the initiation of the legal post-merger integration program, is likely to create the premises for compliance with the current requirements of the framework that has been in a special dynamic lately, ensuring medium-term operational efficiency, preparing the organization for the challenges related to the energy transition and capitalizing on new medium and long-term business opportunities.

The year 2021 represented the year in which the foundations of the new approach were laid in terms of reorganizing the business and organizational model, which were established - in a broad conceptual and operationalization effort - the target objectives, as well as the method and tools to be used for the current year and the next 2 years, the implementation being started in several areas: (i) the unified target organizational chart; (ii) reviewing and optimizing the processes - as a whole, but also within specific Centers of Excellence, prioritized for implementation depending on the impact in the operational area and the interaction with the client; (iii) the identification and application of those initiatives and optimization measures that would lead to the strict compliance with the targets approved by ANRE regarding the operational and personnel expenses for the distribution service; improving the model of analysis and monitoring of the results obtained compared to the established targets, with the application of a more agile approach (iv) IT&C technology area - with a decisive role in transforming the company, as a whole and in implementing all defined projects, as part of the program.

Following the application, starting with 1st January 2022, of the new unified target organization chart, through which all structures in the area of strategic activities (asset management, energy management, integration program management, IT&C, strategic project management), financial and support were reunited under a unique coordination at the level of the company resulting from the merger - Distributie Energie Electrica Romania SA (DEER), in the coming years will continue the process of adaptation and continuous technology improvement of processes and support, as defined by the approved Strategy for the distribution segment.

The geopolitical crisis of 2022, generated by the invasion of Ukraine by Russia, which led to the sharp increase in energy prices both in Romania and in other European countries, brought into attention the need to reduce own technological consumption, streamlining operational costs and providing sources of financing for future investments.

In the same context, in response to the difficulties and disruptions in the global energy market, the European Commission developed in March 2022 the REPowerEU Plan for energy saving, clean energy production and diversification of energy sources, supported by financial and legal measures to build the new infrastructure and energy system Europe needs. Following the policies developed at the European Union level, for the next period, an increase in production from renewable sources is expected, including the number of prosumers, the development of electric transport, the introduction of flexibility services, which make it necessary to increase the investments for modernization, automation and digitalization of distribution networks.

For financing investments in the distribution segment, both own sources and European funding programs will be used, which are opportunities for modernizing networks and transforming them into smart networks, this will be reflected both in improving network resilience and in increasing operational efficiency.

Supply segment

In 2022, the strategy of the previous year was preserved, the company focused on increasing the profitability of the client portfolio by developing specific measures to increase customer satisfaction through portfolio restructuring and through competitive and dynamic purchasing strategies in the context of a volatile and unpredictable energy market. The traditional electricity supply offer has also been complemented with combined electricity – gas and value-added services packages.

In 2022, EFSA continued to implement the measures identified to transform the company into an organization capable of successfully responding to current and future energy market challenges including improving the financial situation, improving the NPS, defining a competitive trade program, improving positioning and transforming the organization into a supple and agile one.

Thus, during 2022, the evaluations continued at the level of each organizational entity in order to identify new necessary measures to improve the activity.

Also, within the priority measures of modernization and adaptation of internal information systems during 2022 was made the preparation of the transition to the SAP ISU system, as well as the preparation of data migration, so that in 2023-2024 the implementation of the SAP ISU system was carried out.

Services segment

After the completion of the merger between the SERV and SEM subsidiaries on 30 November 2020, it was necessary the developing of a new plan of measures for operational optimization, organizational and strategic repositioning of the integrated company, Electrica Serv SA. The proposed measures are a complex and detailed response based on the currently crisis situation of the company, in terms of losses suffered in 2020 and 2021. The plan contains an in-depth multicriteria analysis of the company's activities and highlights the underying causes of the deteriorating financial situation. The measures included in the recovery plan aim at aligning costs with revenues, returning the company to positive financial results and staff restructuring, with the ultimate goal of increasing labor productivity by eliminating production flow dysfunctions and redundancies in the decision-making process. The recovery plan also overviews the strategic repositioning of the company by developing and consolidating new activities that will serve both the companies within the Group and companies outside it.

The main directions for the development of the SERV subsidiary for the following period are:

- restoring the operational staff structure and redefining priorities on business lines;
- reduction of general administration expenses, production costs, material, service and labor costs;
- continue to implement the plan for the recovery of unused assets;
- significantly improving the way assets are managed, by renting or selling "non-essential"/"non-core" assets;
- continue the development with EFSA of projects for the execution of new activities: Installation of B2B/B2C photovoltaic plants, reactive energy compensation, electricity supply stations, smart metering solutions;
- creation of a structure of qualified personnel for the construction works installation of photovoltaic power plants,
- reducing additional labor costs by distributing existing staff correctly and efficiently;
- efficiency of maintenance works and compliance with the conditions imposed so that the result leads to "zero penalties".

Ethics remains a priority for the organization, as a preliminary requirement for the sustainable development of the Electrica Group. On medium term, it is desired the development of an ethics culture within Electrica Group, by moving from the reactive stage to the integrity stage, by internalizing the ethical standards and the values of the organization, understanding the ethics role as a value enhancing factor and providing a permanent internal control system which involves the entire company's personnel.

The **CSR activites** still remain very important for the Electrica Group, with multiple key areas being supported, with hundreds of projects registered annually to benefit from Electrica's support.

Also, an important role will be played by the optimization of the **IT&C support functions**, they will have an increasingly important role for the base business lines; IT&C takes over the responsibility of capitalizing on the synergies, but also of supporting the specific competencies that offer strategic advantages to the business units. In this context, beyond the processes' digitization and their integration in IT platforms, the development of smart grids, the smart meters' integration in the rhythm of their implementation plan, support for the operationalization of prosumers etc. are provided in the distribution area. In the supply area, the development of a customer-friendly interface, the automation of contracting, reporting, and invoicing processes and data exchange with all Romanian distributors are critical elements supported by IT&C it is an activator of competitive advantages.

2.4. Outlook

The first quarter of 2022 was under the influence of public health events (COVID-19 pandemic declared by the WHO on 11 March 2020) and the impact of these events on the economic and social environment. Starting with 9 March 2022, Romania is no longer on alert due to COVID 19, so the restrictions in the alert state later became recommendations.

Electrica Group activates in a key economic sector and therefore is closely monitoring both the national and the international context, in order to make the best decisions in the following period and for addressing the challenges on the short and medium term.

Globally, the budgets of countries where the number of pandemic infestations is high and economic sectors such as services, production, transportation, as well as commerce and international trade are affected, all these elements influencing the energy demand, the consumers' behavior, as well as the measures taken by the authorities, both for the energy sector and for the economic environment in general.

The current strategy of the Electrica Group is built on a set of trends and assumptions, and the acceleration of digitalization is one of its objectives. Thus, it will continue the efforts already started to support investments in IT tools and automation, both for streamlining processes and for increasing the performance of its distribution networks.

Considering the energy policies developed at both EU and national level, as well as the international context of the energy markets, the following trends are expected to characterize on medium and long term the local electricity market:

- Competition between players on the electricity supply market in terms of diversifying the portfolio of products offered to customers with a focus on the value-added products offered (especially energy efficiency) and digital services offered (mobile applications, invoices and online payments, expanding customer service through chat solutions);
- Customers whose current supplier can no longer provide the electricity and/or contracted natural gas (bankruptcy, loss of license granted by ANRE, etc.), will be ensured the delivery of energy by the supplier of last resort in accordance with the legal provisions.
- In the electricity **distribution area**, the regulatory trend is to provide remuneration to the distribution operator considering both the quality of the service, as well as the operational costs and efficiency based on comparative analysis between DSOs. An element that affects and will continue to significantly affect the profitability of distribution companies is the increase in the purchase price of NL, a situation which was partially regulated by the entry into force of: (i) Government Emergency Ordinance no. 118/2021 regarding the establishment of a compensation scheme for the consumption of electricity and natural gas for the cold season 2021-2022, (ii)Government Emergency Ordinance no. 27/2022 on the measures applicable to final customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as for the modification and completion of some normative acts in the energy field, (iii) EMERGENCY ORDINANCE no. 119/2022 for the amendment and completion of GEO no. 27/2022 regarding the measures applicable to end customers in the electricity 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, (iv) EMERGENCY ORDINANCE no. 153/2022 for the amendment and completion of GEO no. 27/2022 and the amendment of GEO no. 119/2022, as well as for the modification and completion of some normative acts in the field of energy, *ANRE approved by ANRE Order no. 129/2022 Methodological norms for the recognition in tariffs of additional costs with the purchase of electricity to cover own technological consumption compared to the costs included in the regulated tariffs;*
- Regulation (EU) 2022/1854, regarding an emergency intervention to address the problem of high energy prices, provides for a maximum threshold of 180 Euro/MWh for solar, nuclear, hydro, wind and lignite production, incomes above this threshold will be collected by the state;
- Electricity distributed generation technologies will determine the distribution operators to adapt their processes and strategies regarding the upgrade and development of the network and to offer solutions to the independent producers, considering the appearance of prosumers, which are active participants in the energy market; in this context, significant investments are necessary in order to improve both the transmission and the distribution infrastructure. The recent high price for electricity will increase the interest of consumers to independently produce some of the energy consumed, which is an acceleration of trends in this regard. Significantly reducing the costs of photovoltaic technologies is a development opportunity for smaller scale generation projects, especially in the home area;
- On the long term, full electric vehicles, light commercial vehicles and electrification of railways are expected to increase the consumption of electricity in the transportation sector;

- Future development of technologies will support energy efficiency policies such as:
  - Development of transmission and distribution networks, including smart grid and smart metering;
  - End-use energy efficiency (thermal integrity of buildings, lighting, electric appliances, motor drives, heat pumps etc.);
- The smart metering implementation will offer complex tariffs options to the consumers, detailed information regarding the consumption profile, which might lead to increased flexibility and demand reduction during peak periods. Thus, the consumers shall be better informed and involved in decision-making process, as active participants. The smart metering implementation pace depends on the implementation calendar adopted at national level;
- The development of the transmission and distribution infrastructure and long-distance interconnection will become a necessity. The electricity market target model, which implies the development of Europe's internal electricity market, will continue to evolve and be in line with future trends and challenges in the energy industry.

Table 7. The key drivers of changes in the electricity market

Key drivers	Description	Impact on
GDP evolution and industry structure	The economic growth is a determinant factor of electricity demand. Although there is not a one-to-one relationship between GDP growth rate and electricity demand growth rate, there is a positive correlation, mainly between the industrial demand for electricity and economic growth. In the future, household and industrial electricity demand will also be influenced by energy efficiency policies.	GDP evolution and industry structure
Demographic evolution and technology development	In contrast with the demographic decline recorded at EU and Romanian level, the electricity consumption is positively impacted by the changes in the consumer behaviour and the increase in urbanization. For example, the massive increase in the number of connected devices and implicitly, in a less accelerated manner, in the electricity consumption, maintains the increasing trend of consumption.	Electricity consumption
International geo-political context	Russia's invasion of Ukraine has massively disrupted Europe and global energy markets, prompting the urgent need to identify a plan to stop the EU's dependence on imports of fossil fuels from Russia. REPower EU is the EU's response plan to this context, a plan for the period 2022-2030. The REPower EU plan sets out a series of measures to rapidly reduce energy and accelerate the green transition while increasing the resilience of the EU energy system. The plan targets 4 areas: Saving, diversifying sources, accelerating the shift to clean energy, investment and reform.	Electricity prices
Changes in regulatory framework	Approved schemes to support customers in the payment of electricity/gas bills, with initial application between 1 November 2021 – 31 March 2022, which granted price caps, compensation for household customers and exemptions for SMEs, subsequently extended for the period 1 April 2022 - 31 March 2025, which capped the prices applicable to final customers, involve the ex post recovery by suppliers of the amounts related to these schemes, risking affecting the supply activity in case of delays in settlement of amounts incurred by suppliers or their complete non-recovery if the costs recorded in the balancing market exceed by more than 5% the acquisition costs or if the average purchase price exceeds the threshold of 1,300 RON/MWh. Also, during 2022, the new performance Standard for the electricity/natural gas supply activity entered into force, which will apply more demanding requirements regarding the quality of the supply service and the responsibility toward the customers, including through the obligation to automatically pay compensation to all categories of clients, in case of non-compliance with the established indicators. Starting with 1 May 2022, the new rules for the sale of electricity produced by prosumers enter into force, respectively quantitative compensation for customers with installed power up to 200 kW and financial compensation for customers with installed power between 200 and 400 kW, which will generate a new demand flow for this customer segment, but also important changes to the billing information system for this category of clients.	Electricity prices

Key drivers	Description	Impact on
	Regarding the distribution segment, in 2019 the 4th regulatory period began (2019-2023), and ANRE approved significant changes to the Methodology for all elements of the tariff (regulated rate of return, base of regulated assets, own consumption technological, operating and maintenance costs, dynamic distribution tariffs starting with 2020). The methodological norms approved by ANRE in October 2022 allow the capitalization of the additional cost with NL compared to the price recognized in the tariffs. The energy law was amended in the period 2020-2021, so that: in 2021 OD financed the works for connecting domestic and non-domestic customers with lengths of less than 2.5 km, and starting with 2022, the free for non-domestic customers was eliminated. households, and for households the obligation to finance by OD only a connection in average value established by ANRE was maintained.	
The evolution of the electricity price in the market	Energy is an indispensable resource for both the population and the economic operators. Thus, the sharp increase in energy prices is reflected on the dynamics of consumer prices, respectively on the generalized increase in inflation rates. The transactions concluded on the centralized platforms exceeded the threshold of 2.500 RON/MWh for the AN product and 4.000 RON/MWh for the short-term products related to the winter period, and on the DAM the weighted average price doubled compared to the beginning of 2022. The distribution operators purchase purchased energy for NL at a price four times higher than the ex-ante approved price in the distribution tariffs. In the period 1 January 2023-31 March 2025, the mechanism for the centralized purchase of electricity is established, and OPCOM is designated as the sole purchaser.	Electricity prices and inflation rate
Technological development	Smart networks and smart meters will create benefits for the end consumers, distribution operators and suppliers in terms of energy efficiency, resource optimization and network operation, implementation of demand response etc. It is necessary to prepare the networks and to integrate the distributed resources (storage solutions, micro-grids, local production, electric machines, etc.), also considering the management of their impact.	Electricity prices and consumption
Increase in environmental awareness	Romania has adopted the EU 20-20-20 targets, aiming to reduce greenhouse gas emissions, improve energy efficiency and raise the share of renewable energy. Moreover, the 2030 Framework provides even more ambitious targets and therefore more efforts are needed from governments and market players to achieve them. Renewable energy is the cheapest and cleanest energy available and can be generated domestically, reducing our need for energy imports. Energy efficiency and the use of renewable energy sources can enable industry to reduce the impact of market evolution. Energy saving is the cheapest, safest and cleanest way to reduce the repercussions of the trend in the energy market. In addition to energy efficiency measures, individual actions have a positive impact on energy bills (consumption and price level).	Electricity prices and consumption, regulatory framework

Source: Electrica

2.5. Key factors, directions and significant market trends affecting the operational results of Electrica Group

Considering the strategic elements defined for 2019-2023 and in the special context in which the energy market is located, the company analyzes the strategic options and constantly updates its actions in order to face the difficult period we are going through. Efficiency measures were taken, including through restructuring and transformation programs of the Group's divisions, staff training and development programs were carried out, business models are being made more efficient and new business segments are being developed, to improve both the quality services offered, as well as financial performance. In 2023 a new corporate strategy will be approved and the most important assumptions considered for the strategy are the following:

- The European Union maintains the objectives regarding the reduction of greenhouse gas emissions and the production of green energy;
- The European energy market will receive new regulations, which, most likely, will be aimed at reducing the dependence of the price of electricity on the price of fossil fuels. The volatility of 2022 and the distrust of market actors will slow down the uniform application of the new provisions;
- Romanian GDP will have a upward and stable evolution in the medium term, even if some

slowdown is possible in the near future;
- Romania will maintain its commitment to achieve the objectives of the European Green Pact, with an emphasis on reducing greenhouse gas emissions (55% reduction compared to 1990 to 2030) and increasing the production of electricity from renewable sources (40% until 2030);
- The energy mix in Romania changes significantly in the medium and long term, mainly by increasing the production capacity of electricity from renewable sources;
- "Democratization of energy" determines important changes in the mode of transport and distribution of electricity;
- The energy market will continue to register a production deficit both against the background of the accelerated increase in demand (caused by the electrification of transport and, partially, heating systems), as well as due to the environmental limitations to which energy production (European, regional, national) has engaged;
- The supply segment knows little predictable developments, with very frequent changes in incidental legislation, which (at least until now) diminishes competition and relativizes any planning scenario;
- Geopolitical developments in the region will remain with a maximum manifestation in 2022, but we do not exclude the possibility of escalations;
- Financial markets will allow access to advantageous financing sources to support companies' investment programs, but the involvement of companies in assuming ESG practices will have a determined role in the success of financing.

Based on the new directions and objectives established in the 2021 Group strategy, the **IT&C activities** within the group were reviewed and re-focused on the key areas of business support. Subsequently, the structure and projects in the subsidiaries were re-reviewed and accelerated to achieve the optimal level of support for electricity distribution and supply activities, including automation projects, digitization, friendly and simplified interface with external and internal customers. Emerging technologies, with an impact in particular on the resilience of IT&C services, are constantly evaluated and monitored in the Group and tested in pilot mode in Electrica SA. Last but not least, the subject of Cyber Security and alignment with NIS requirements are monitored and consolidated results at Group level.

In the **distribution segment**, the focus is on operational efficiency, by reducing technological and commercial losses, optimizing internal processes, ensuring an optimal level of resources used, on user orientation and ensuring their satisfaction, by improving the network access and the quality of service, on development of smart grid technologies and cost recovery. Increasing the operational performance will lead to a positive impact on the users' experience, ensuring continuous supply security, at high quality and high standard interactions with our staff. In parallel, exploiting the significant optimization potential and reducing losses by streamlining the distribution operators' activities are key factors in the optimal allocation of resources, so important in this regulatory period.

One of the main factors influencing the strategic decisions for the Distribution area is represented by the trend of energy market prices which negatively impacts in a significant way the cost of energy acquisition for network losses and for which there are no premises for comeback, with a significant negative impact over profitability if the method of capitalizing on the additional costs of the procurement of electricity for the NL or the mechanism for the centralized procurement by OPCOM of energy for the NL does not lead to the improvement of the results.

An important factor is the alignment of strategic decisions with the 10-year development plan to be developed by DEER and approved by ANRE, after public consultation with all stakeholders, and that will include both investment works for the production of energy from renewable sources for NL and the power consumption from the station or for the development of electricity storage facilities and the way to integrate flexibility services.

The year 2023 is decisive representing the reference year in which distribution operators will submit to ANRE approval the data for substantiating the projection of revenues and profitability for the fifth regulatory period 2024-2028.

The **supply segment** will focus on diversifying the activity through offers and services adapted to customers' needs, on operational efficiency through optimized processes for the sale and purchase of electricity and on customer orientation and maximizing satisfaction. The aim is to increase the natural gas supply segment, to offer value-added solutions (products and services) and to digitize specific operations and processes.

Please note that other factors that are not available at the report date (eg. legislation and regulatory provisions under disscusions etc.) or not presented above, or not considered by the Group may occur and may have a significant impact on the implementation and evolution of the Group's strategy.

The regulatory framework has undergone significant changes over the past decade, including the liberalization of electricity and natural gas markets, the separation of supply and distribution activities, the implementation of the support scheme for renewable energy, the support of electricity prosumers and the capping of prices to final customers.

In 2022 the electricity market was completely liberalized for all categories of customers and the price was established by suppliers through free market mechanisms, both for universal service offers and for the offers related to the competitive market.

In terms of the last resort supply of electricity and natural gas, a monthly rotation system was introduced for the SoLR nomination that automatically takes over customers from all parts of the country. For this purpose, the SoLR list is established according to market share, each SoLR in the list being nominated one at a time, monthly, to automatically take over customers who remain without a supplier. In 2022, EFSA was the last-resort supplier nominated for electricity in February, March, July and December, and for natural gas it was the last-resort supplier nominated in September 2022.

The development by ANRE of the online platform for changing the electricity and natural gas supplier (POSF) helps the Romanian energy market to achieve the objective stipulated by the European legislation regarding the change of supplier in 24 hours, starting with 2026.

As regards the legislation related to prosumers, the amendment of the threshold of electricity installed in the renewable energy power plants belonging to prosumers, from 100 kW to 400 kW on-the-spot consumption and the introduction of quantitative compensation has led to the increase in the number of prosumers in 2022 and we estimate a continuous development in this segment.

Between 1 November 2021 and 31 March 2025, in the context of increasing prices on the electricity and natural gas markets at international and national level, as well as the effects caused by these increases for the Romanian population, will be applied, through the effect of GEO no. 118/2021 with subsequent amendments and completions and GEO no. 27/2022 with the amendments and completions a series of support schemes for electricity/natural gas customers. Given the way in which these schemes are implemented and the mechanism for settlement of amounts granted as support to customers, ex post from the state budget to electricity suppliers, they are likely to generate constraints in terms of cash flow, as well as uncertainties regarding the full recovery of the respective amounts by the suppliers.

In this context, EFSA is reviewing its medium and long term strategy such as to manage responsibly and in a sustainable manner the impact of these measures on the company's activitities, in this legal framework that has successive and high impact changes lately.

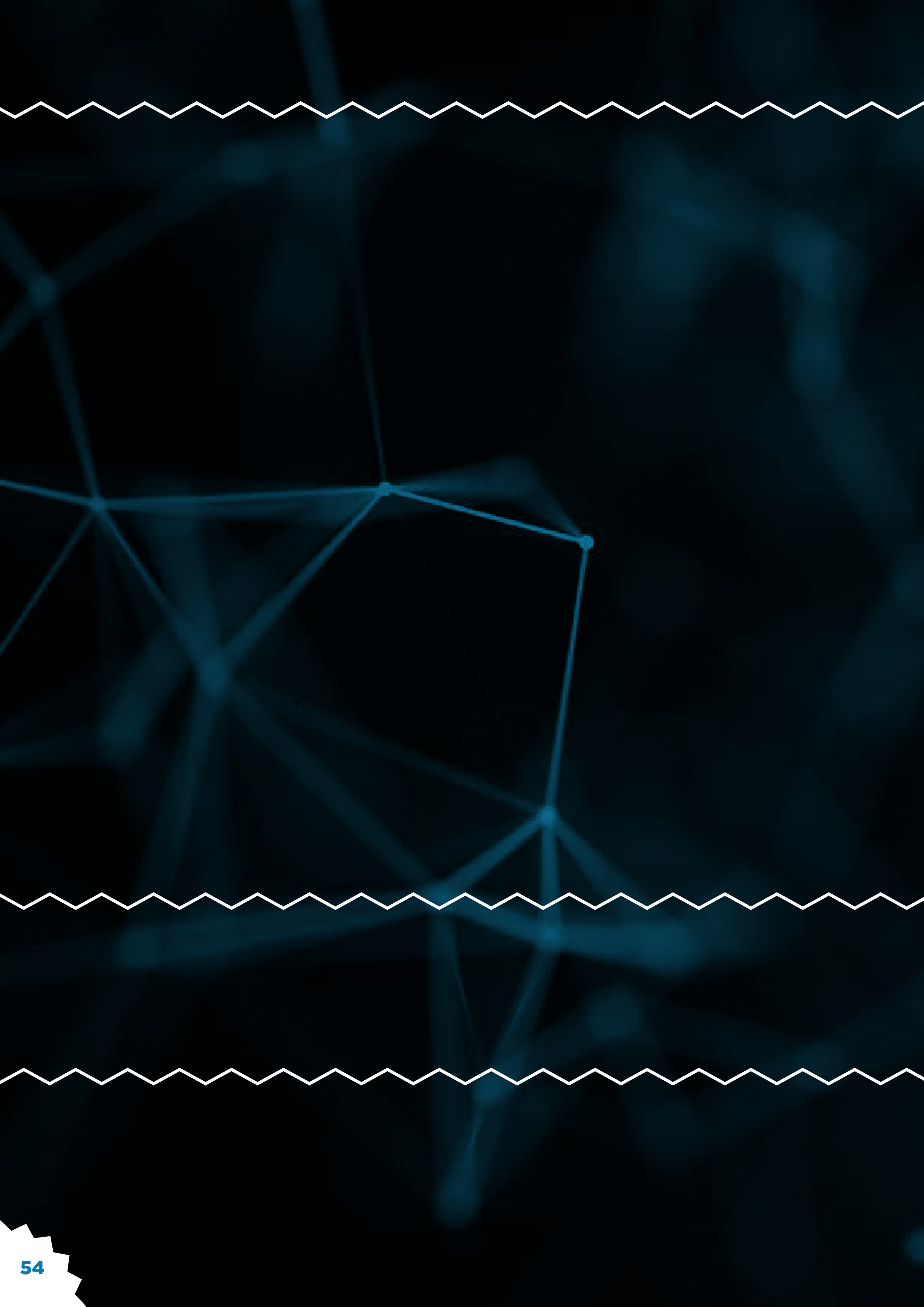
Evolution of purchase prices

- 2022 was a year characterized by a steep increase in prices for both electricity and natural gas, with historical trading highs.
- There have been recorded increase over 130%, from 550 RON/Mwh energy trading price in DAM in 2021 to over 1.300 RON/Mwh trading prices in DAM in 2022. A similar increase was also recorded in the trading prices in term markets.
- As a result of the coupling of markets in the region, the wholesale electricity market trading prices aligned with those in the region, being directly influenced by the increase in natural gas trading price amid the conflict in Ukraine.
- The main casues that favored the increase of prices:
- The fluctuation in the trading prices of carbon allowances, having reached a historical maximum price of about 100 EUR/certificate in August 2022;
- The increase in the price of natural gas from 500-600 RON/MWh in 2021 to 1,200-1,300 RON/MWh in 2022, with a direct impact on the increase in the production cost of power plants using natural gas as fuel;
- Lack of investments in new production capacities;
- Acute liquidity shortage on electricity and natural gas markets, as a result of legislative changes and the reintroduction of bilateral contracts negotiated directly since September 2022, with a direct impact on the transparency of transactions on markets;
- Introduction of a mechanism for overtaxation of revenues from the trading of electricity and natural gas.

The impact on customers

The impact on customers in the dynamic internal and international context:

- Accelerating and optimizing the implemented digitalization and developing synergies with the national platform of change supplier, by adapting and homogenizing the processes for optimizing the relationship with customers;
- Adapting to the internal context created by the liberalization of energy prices, as well as to the international one, causing supply fluctuations;
- Context influenced by the support measures granted both to domestic consumers and to economic agents;
- Maximizing the results obtained from the development of the partnership relationships in the dynamic context created by liberalization;
- Modernization of several customer service centers including Bucharest, Jibou.



3 Electrica on the capital markets

3.1. Ownership structure

Until July 2014, the Romanian State, through the Ministry of Economy, Energy and Business Environment, was the sole shareholder of ELSA. As of 4 July 2014, after the Initial Public Offering, the Company's shares are listed on the Bucharest Stock Exchange (BSE – ticker EL), and the Global Depositary Receipts are listed on the London Stock Exchange (LSE – ticker ELSA).

Subsequently, a secondary public offer took place, which ended on 3 December 2019, during which a total number of 208,554 new shares were subscribed, with a nominal value of RON 10 and a total nominal value of RON 2,085,540.

As of 31 December 2022, the ownership structure according to the Central Depository records (Romanian: *Depozitarul Central*) is presented below.

Table 8. Ownership structure

Shareholder	Number of shares	Stake held (% of the share capital)	Percent of voting rights (%)
The Romanian State, through the Ministry Energy, Bucharest, Romania	169,046,299	48.7948%	49.7850%
The European Bank for Reconstruction and Development	17,355,272	5.0096%	5.1112%
Electrica SA	6,890,593	1.9890%	-
BNY MELLON DRS, New York, USA	2,164,816	0.6249%	0,6375%
Other legal entities*	131,170,892	37.8621%	38.6305%
Individuals	19,815,725	5.7198%	5.8358%
TOTAL	**346,443,597**	**100.0000%**	**100.0000%**

Source: Central Depository, Electrica

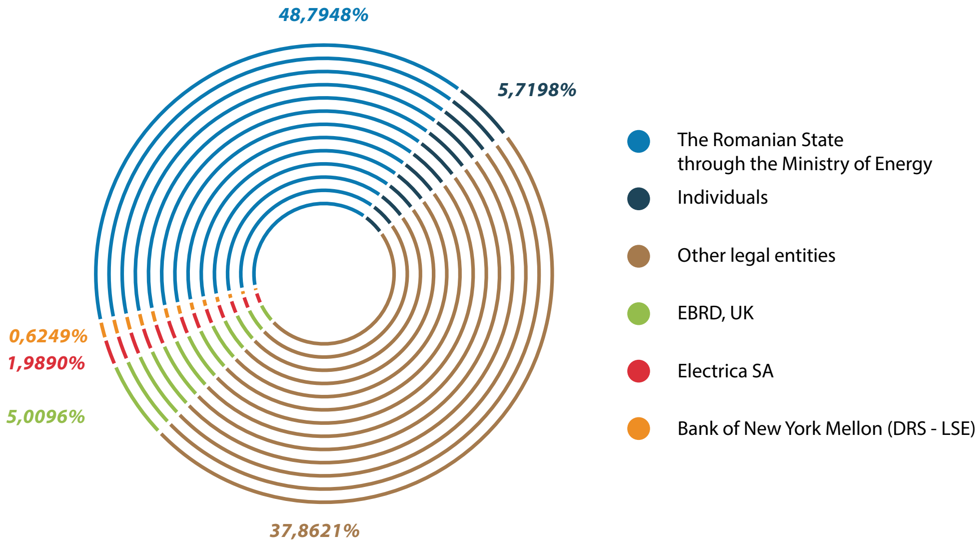
Note 1: Shares with voting rights - 339,553,004, representing the total number of shares (346,443,597) without the number of own shares held by Electrica (6,890,593), for which the voting right is suspended

** Paval Holding, NN Group NV and Allianz SE hold, directly or indirectly, between 5% and 10% of the total number of shares with voting rights*

The shares presented to be held by the Bank of New York Mellon represent the global depositary receipts (GDRs) owned by ELSA shareholders that are traded on the London Stock Exchange (LSE). A global depositary receipt represents four shares. The Bank of New York Mellon is the depositary bank for these securities.

Following the stabilization process after the June 2014 IPO, ELSA owns 6,890,593 of its shares, representing 1.989% of the total share capital at 31 December 2022, with suspended voting rights, which does not entitle ELSA the right to receive dividends.

Figure 21: Ownership structure as of 31 December 2022



Source: Central Depository, Electrica

At the end of 2022, ELSA's shares were owned by a total of 11,951 shareholders, of which 257 legal entities and 11,694 individuals from 22 countries. 91.12% of the total number of shares (315,674,667 shares) were owned by investors with residence in Romania. Thus, foreign shareholders held 8.88% of the share capital (30,768,930 shares), the largest weight being represented by European citizens. Shareholders in the United Kingdom and Ireland held 5.30% of share capital, while those in the USA held 1.02%, in this category being included also the GDRs holders.

3.2 Shares evolution on BSE and Global depository receipts (GDRs) evolution on LSE

3.2.1 BSE shares

ELSA's shares are included in several BSE indices, including the BET index (the reference index for the Romanian capital market reflecting the performance of the most traded companies on the BSE's regulated market), as well as in the BET-NG index (the sectorial index that reflects the evolution of the companies listed on BSE's regulated market having as main activity energy and related utilities).

Between **4 July 2014 - 31 December 2022**, ELSA's shares recorded a minimum price of RON 6.10 (29 September 2022) and a maximum price of RON 14.96 (12 May 2017), therefore the weighted average price was RON 11.6.

The gross dividends per share granted by ELSA in this period reached a cumulative value of RON 5.6817. Thus, the aggregate yield generated by ELSA's shares (along with dividends) from the IPO and until the end of 2022 was 25.20%, of which -26.45% from share evolution and +51.65% from dividend yield.

From the IPO dated 4 July 2014 until the end of 2021, ELSA shares attracted RON 4.07 bn. liquidity on BSE, with a daily average of RON 1.9 mn. During this period of about 9 years, 349.36 mn ELSA shares have been traded (including DEAL transactions), representing 100.8% of the share capital and 102.9% of the voting rights (total shares without ELSA's own shares). Thus, the average daily turnover during this period on BSE was of 162,949 shares.

The gross dividend per share granted by ELSA in 2022 (for 2021) was RON 0.45, below those granted in the previous years, with a yield of 5.2% (computed at the ex-date closing price from 24 May 2022).

During 2022, ELSA shares attracted a liquidity of RON 144.8 mn. on BSE, with a daily average of RON 0.6 mn., dropping by 33% compared to 2021, the fourteenth in top trading data on BSE. The volume of shares traded was 17.33 mn, dropping by 1.8% compared to 2021, so the daily average volume was of 68,762 shares. The total volume of shares traded in 2022 accounted for 5.0% of the share capital.

In order to support the liquidity of its listed shares, ELSA concluded at the end of 2022 two **Market Making services for Issuer agreements**, with SSIF BRK Financial Group S.A. and WOOD & Company Financial Services, a.s. Praga, for two years, starting 1 January 2023, with the main purpose of accessing the FTSE Russell international indices.

Thus, **in January 2023** (the first month of activity of the two liquidity providers), Electrica shares met the liquidity criteria, recording a median monthly volume of 78,705 shares, 3% above the minimum threshold, while the capitalization criteria was easily met, by substantially exceeding the minimum thresholds for free-float (+75%) and total shares (+115%).

In January 2023, Electrica shares registered a total liquidity of RON 12 mn., the 9th highest in the market, with 1.43 mn. shares traded, with an average daily turnover of 71,465 shares, 4% above the average turnover from 2022.

3.2.2 Global Depositary Receipts (GDRs) on the LSE:

The GDRs' weight in ELSA's total share capital diminished during the period following the Initial Public Offering, reaching a level of 0.62% at the end of 2022, compared to 10.17% at 4 July 2014.

The maximum price reached by the GDRs was USD 15.3, in September 2014 and the minimum price was USD 5.25 on 9 November 2022. Subsequently, the GDRs' price followed a fluctuating trend. During 2022 the trend was a downward one, ending 2022 at a price of USD 5.90, dropping by 34% compared to the end of 2021 (USD 9.00).

In the period since the IPO and until the end of 2022, 12.7 mn. GDRs have been traded, out of which 55,452 GDRs in 2022. In January 2023, 1,000 GDRs were traded.

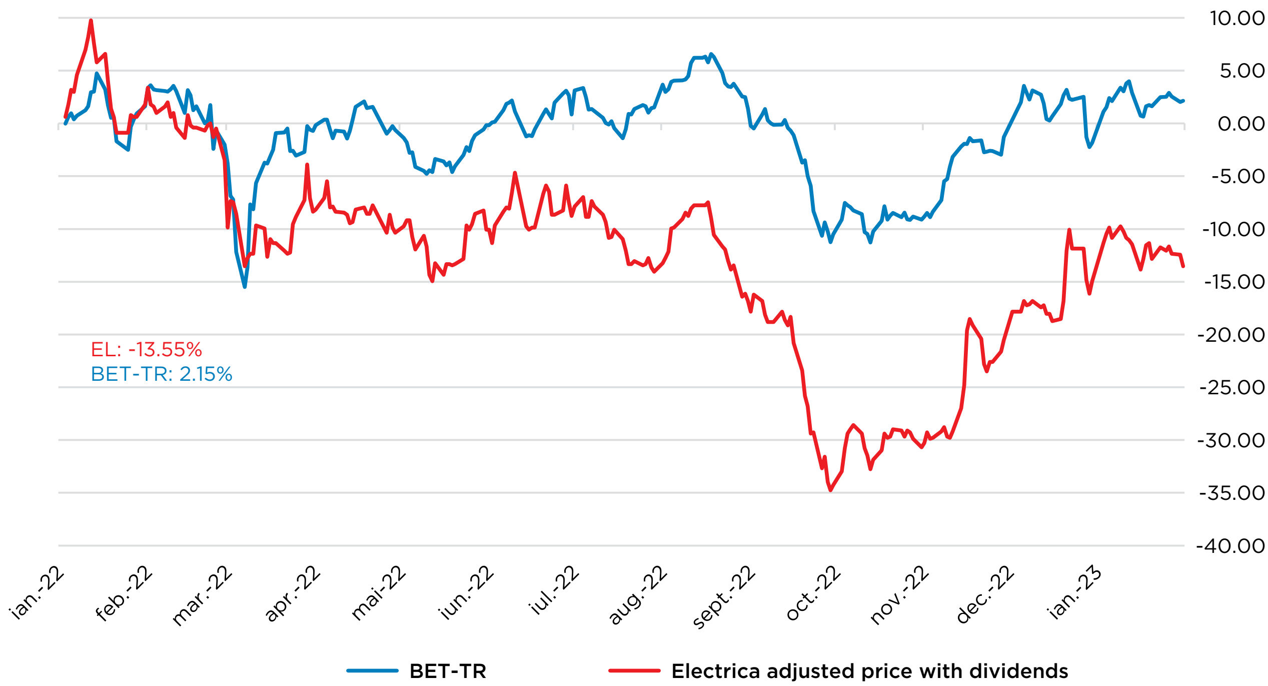
A summary of the previous mentioned aspects is found in following table.

Table 9. BSE Shares and Global Depositary Receipts (GDRs) on LSE

Indicator	4 Jul 2014 - 31 Dec 2022	2022	2021	Variation 2022 vs 2021
Bucharest Stock Exchange				
Total liquidity (RON)	4,069,591,167	144,828,599	217,148,556	-33.33%
Average daily liquidity (RON)	1,898,130	574,717	861,701	-33.33%
Turnover (no. shares)	349,362,690	17,327,927	17,645,021	-1.8%
Average daily turnover (no. shares)	162,949	68,762	70,019.92	-1.8%
Market cap. - end of period (RON)	2,802,728,700	2,802,728,700	3,478,293,714	-19.4%
Minimum price (RON)	6.10	6.10	9.80	-37.8%
Maximum price (RON)	14.96	11.02	14.10	-21.8%
Average price (RON)	11.65	8.36	12.31	-32.1%
Price at the end of period (RON)	8.09	8.09	10.04	-19.4%
ELSA Share price performance (%)	-26.5%	-19.4%	-20.00%	-
BET performance (%)	66.30%	-10.70%	33.20%	-
BET-NG performance (%)	20.80%	-4.98%	-29.41%	-
Dividend(s)	5.6817	0.45	0.73	-38.4%
ELSA's Dividend(s) yield[1] (%)	51.65%	4.48%	5.82%	-22.9%
BET-TR Dividend(s) yield[2] (%)	129.80%	8.85%	6.80%	30.1%
ELSA's Adjusted price performance (%)[3]	25.20%	-14.94%	-14.18%	-
BET-TR performance (%)	196.10%	-1.85%	40.00%	-
London Stock Exchange				
ELSA's GDRs liquidity (USD)	162,596,021	427,357	443,931	-3.7%
ELSA's GDRs turnover (no. of GDRs)	12,487,482	55,452	35,878	54.6%
GDRs price performance (%)	-56.81%	-34.44%	-28.00%	-

1 Computed at the previous periods' last day close price (for comparability)
2 Adjusted at ex-date with the annual value of the dividend/share
3 Computed together with dividend(s) granted during the analyzed period

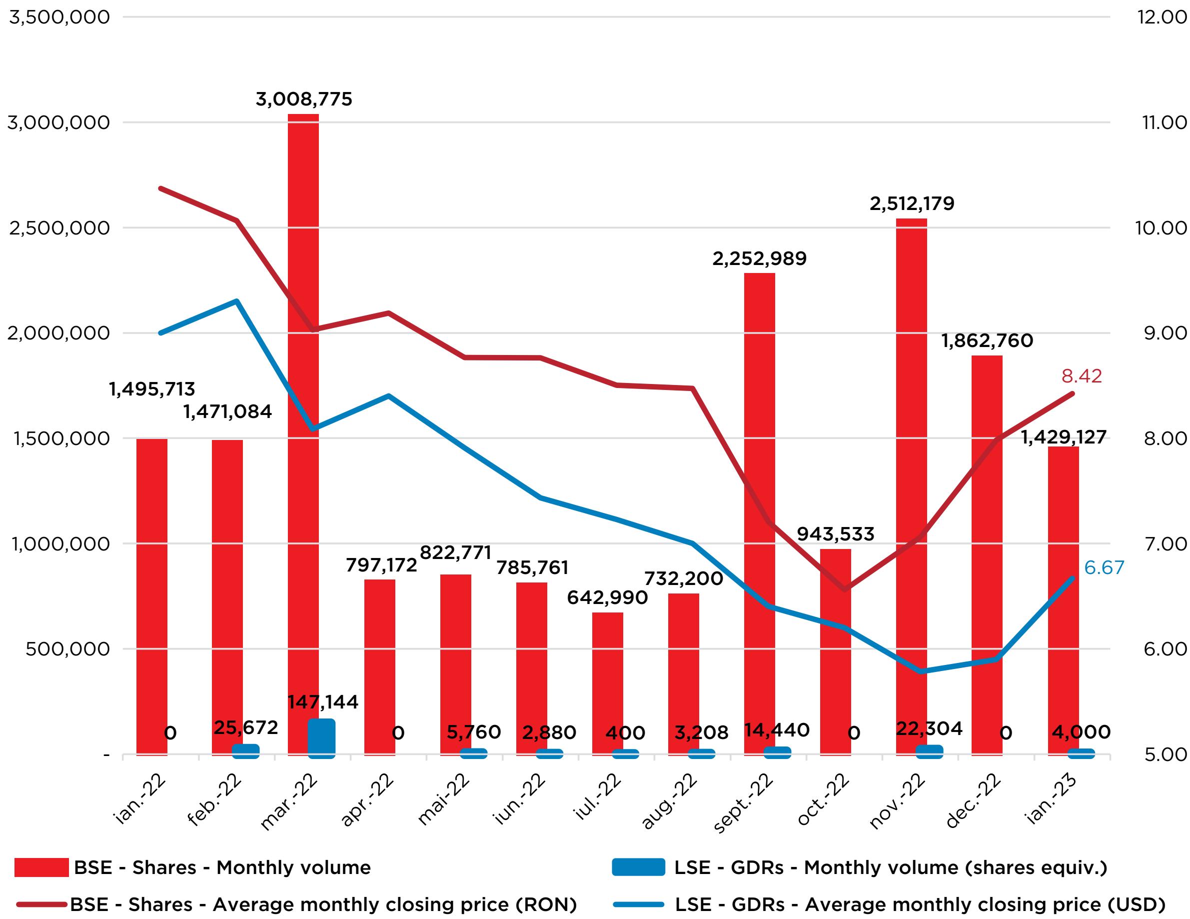
Figure 22: Evolution of the adjusted closing price of ELSA's shares vs BET-TR index during 2022 and January 2023



Source: BSE, Electrica

During 2022, Electrica's share price was negatively impacted, especially, among others, by the "absorption" by its distribution and supply subsidiaries of the inflated prices on the energy market, with an impact on the quarterly financial results from the first half of the year, which were felt on the stock market through a sharp drop to almost -35% of the adjusted price of ELSA, with 23 percentage points below the level of the BET-TR index, also affected by several external factors. Later, after the implementation of measures for faster collection by electricity suppliers of the subsidies granted by the State to compensate for price differences on the energy market, as well as legislative changes regarding the treatment of additional costs with the purchase of energy to cover technological losses (NL) by the distribution companies, Electrica recorded a significant improvement in the financial results at Group level, and these were felt in the share price through an improvement of more than 21 percentage points, up to -13.55% at the end of January 2023, faster than the market (BET-TR), which recovered by about 13 percentage points from the end of September 2022 to the end of January 2023, when it reached +2.15%, compared to the level at the beginning of 2022, as can be seen in the two charts.

Figure 23: Monthly trading volume and weighted average monthly closing price of shares on BSE (in RON) and GDRs on LSE (in USD) during 2022 and January 2023



Source: BSE, LSE, Electrica

3.3. Investor relations (IR)

As every year, in 2022 ELSA's management team continued to be involved in activities for investors and analysts.

During the year 2022, four teleconferences were organized to present the annual, quarterly and half-yearly financial results of the Group. The events have been streamed live through webcasts, both the supporting documents and the webconference recordings can be accessed on the company's website, under the section *Investors > Results and Reports.*

Among the conferences that took place during 2022 and were attended by ELSA's representatives, we mention:

- 3 March 2022, WOOD Conference (online) – Romania Investor Day
- 15-16 September 2022, WOOD Conference (Bucharest) – Romania Investor Day

In 2022 ELSA continued to be associate member of the Romanian Investors Relations Association (ARIR), being involved in numerous ongoing projects of the association.

To inform stakeholders correctly, continuously, and transparently, the Investor Relations Department has disseminated a large number of current reports and anouncements on the platforms of the Bucharest Stock Exchange (BSE), the London Stock Exchange (LSE), the Financial Supervisory Authority (ASF and FCA), as well as on ELSA's website. All these documents can be accessed on the company's website, under *Investors section > Results and Reports.*

All the actions taken during 2022, as well as the plans for the following years, have as main objective the achievement of the best-in-class investor program, increasing the transparency and quality of communication with investors and analysts, constantly driving shareholders' retention and satisfaction. Evidence of the recognition of these efforts was ELSA's positioning in the top listed companies in terms of transparency and communication in investor relations, by obtaining also in

2022 a score of 10 on Vektor – investor communication indicator for companies listed on the stock exchange.

In ELSA 2019-2023 strategy, updated in April 2022, one of Electrica's strategic objectives is to increase the market value, and in this sense, Electrica aims for a 10% better share yield in 2022-2026 than the one delivered in the period 2014-2021 (ca. 7%) as well as an evolution of the share price by 5% above the comparable group in the period 2022-2025.

In order to achieve these goals, the company proposed to increase its liquidity in order to enter the FTSE Russell international indices. In order to implement some measures to boost the interest of investors and the liquidity of Electrica shares, in order to reach the criteria for inclusion in the FTSE Russell international index series, with a positive impact on the market value of Electrica SA, our company concluded at the end of 2022 a contract with two market makers with experience and results on the Romanian market.

Another strategic objective for the period 2019-2023, updated in April 2022, is the increase in market value. In order to achieve this goal, we proposed in the IR strategy, among other things, increasing the presence and activity in the capital market. For this purpose, a partnership was signed with **BURSA DE VALORI BUCURESTI S.A.,** for the period December 2022-December 2024, to increase the company's visibility, attract investors and analysts, giving them access to the tools and analyzes that the BSE Research Hub makes available to partners, through the online portal, www.bvbresearch.ro. It contains fundamental analysis and market information about issuers listed on the BSE as well as shareholders' access to global ESG trends that are defining in the current evolution of the capital markets. Currently, 11 brokers, BSE partners produce analysis reports, which include an initiation report and quarterly or half-yearly updates.

3.4. Related parties transactions

ELSA has the obligation to report the significant transactions concluded by ELSA or its subsidiaries with related parties, as per art. 108 of law no. 24/2017. "Significant transaction" means any transfer of resources, services or obligations, whether or not it involves the payment of a price, the individual or cumulative value of which represents more than 5% of ELSA's net assets, according to the latest individual financial statements published by ELSA (in 2022, there were two references: on 31 December 2021 - RON 206,175,420 and on 30 June 2022 – RON 199,059,726).

The 44 announcements related to these type of transactions, out of which 34 announcements published by ELSA in 2022 and 10 announcements published until 21 March 2023 can be found on the company's website, at https://www.electrica.ro/en/investors/results-and-reports/current-reports-art-108/.

3.5. Dividends policy

ELSA's dividend policy, updated in May 2022, can be accessed on the company's website under section https://www.electrica.ro/en/investors/results-and-reports/current-reports-art-108/ .

ELSA's dividends are distributed from the annual net distributable profit based on the annual individual audited financial statements, and/or from other items of equity (e.g. retained earnings) set up at the level of the Company, after their approval by ELSA's Ordinary General Shareholders' Meeting (OGMS) and the approval of the dividend proposal by the OGMS. The shareholders receive dividends proportionally to their share in the company's paid-up capital. The company will pay all dividends in RON.

Regarding the global deposit receipts that are traded on the London Stock Exchange, ELSA pays dividends to the GDRs issuer proportionally to its holdings. Holders of GDRs will then receive dividends from the GDR issuer, proportionally to their holdings.

In selecting a certain dividend pay-out ratio according to the dividend policy, the Board of Directors takes into consideration the following:

- Reducing the fluctuations in dividend yield from one period to the next, as well as the ab-

solute dividend per share value;
- Electrica's investment needs and opportunities;
- Contributions of non-monetary items to net reported profit;
- Financial resources available for dividends payment as well as Electrica's indebtedness;
- Dividend yield comparable to other listed companies in the industry or related sectors.

The dividend distribution rate from the distributable profit of the Electrica group subsidiaries will be consistent with the dividend policy in force. The dividends paid by the Group's subsidiaries to ELSA in year N (related to year N-1 results) are recorded as finance income in ELSA's individual financial statements in year N and thus constitute the source of the net result from which ELSA declares and subsequently pays dividends to its shareholders in year N+1 (related to the result of year N).

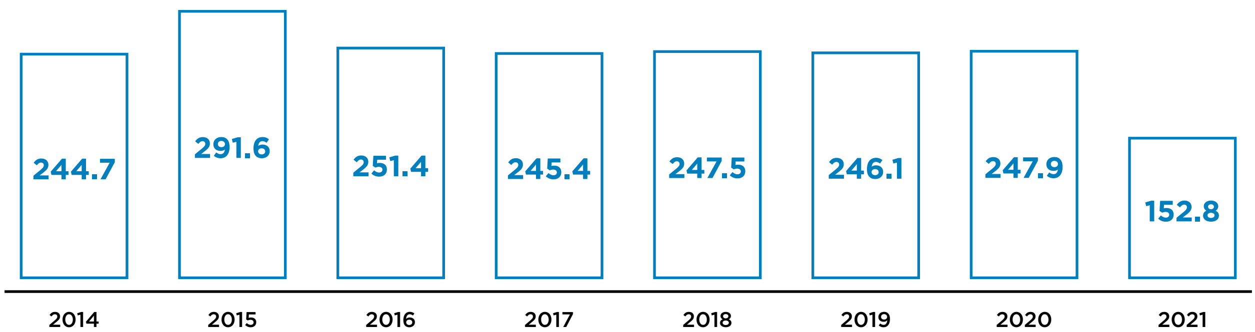
The payment of dividends is subject to the general provisions on prescription (by reference also to the incidence of the provisions of art. 2554 of the Civil Code regarding the extension of the term). Thus, the payment of dividends that are not claimed within three years from the approved date of their payment will be prescribed and they can be kept by the Company.

3.6. Dividend distribution

The dividends distributed[1] by ELSA fluctuated in the period 2014 - 2021, between RON 152.8 mn. and RON 291.6 mn., and the dividend payout ratio[2] was 96% in 2014, 100% each year between 2015-2017, 87% in 2018 (RON 35.57 mn. was distributed to "Others reserves"), 100% in 2019, 87.5% in 2020.

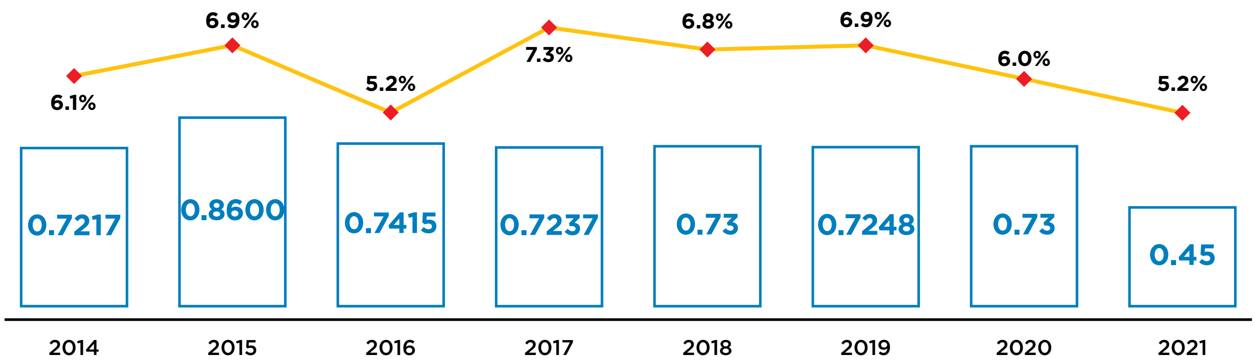
The dividend payout ratio for 2021 was 50% (RON 152.9 mn. was distributed to "Others reserves").

Figure 24: Gross dividends distributed (2014-2021) (RON mn.)



Source: Electrica

Figure 25: Gross dividend per share (RON) and dividend yield (%)



Source: Electrica

The yield of the dividend paid in 2022, for the 2021 results, recorded a level of 5.2%, the gross dividend per share paid in 2022 being RON 0.45. The dividend yield (%) is calculated as Gross dividend per share/Closing share price on BSE at ex-date.

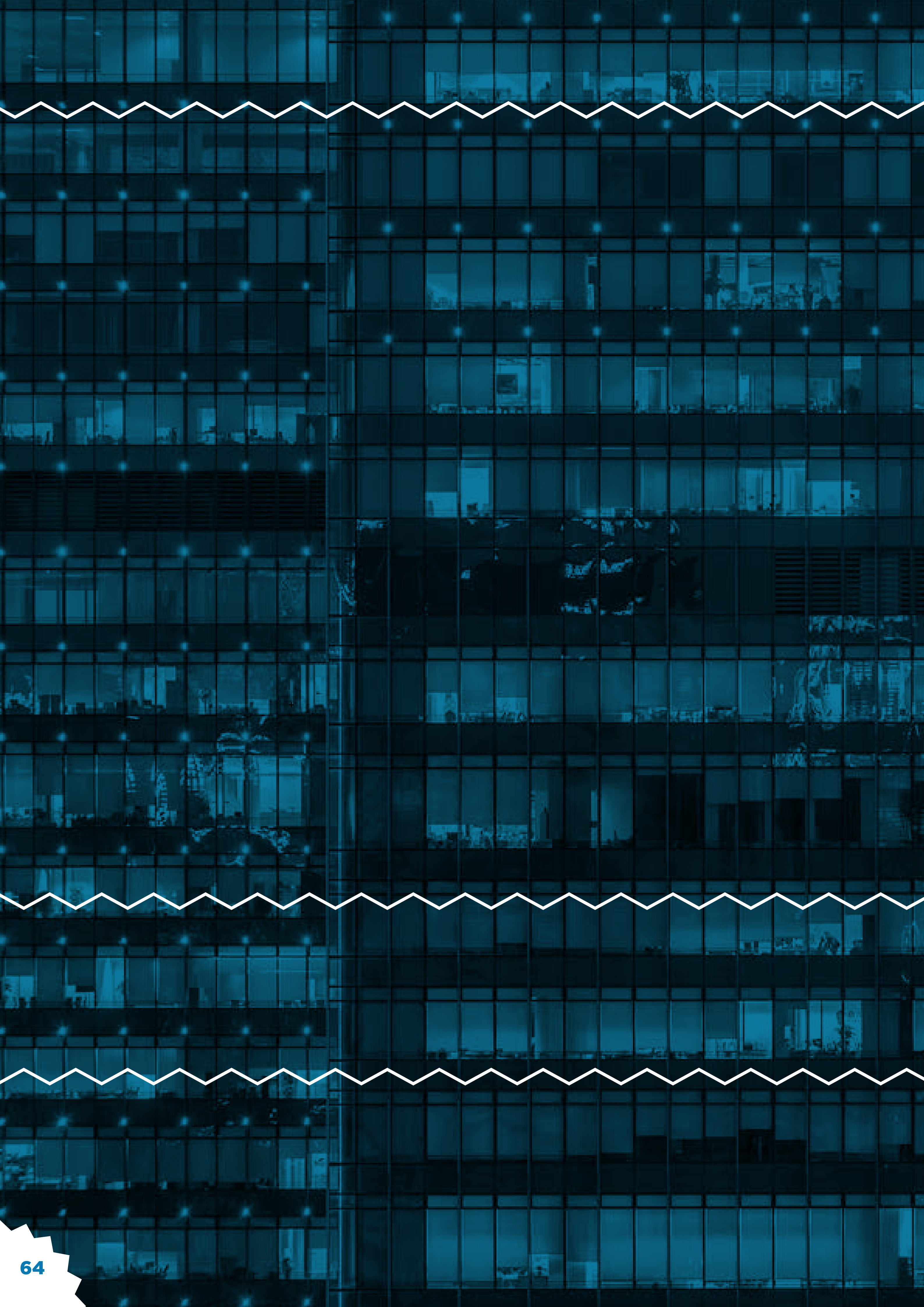
1 The dividends refer to each financial year indicated and are paid in the following year.
2 The dividend distribution rate is calculated as gross dividends/Net profit distributable on dividends, where Net profit distributable on dividends is net profit according to ELSA's individual financial statements, except for mandatory distributions to legal reserves.

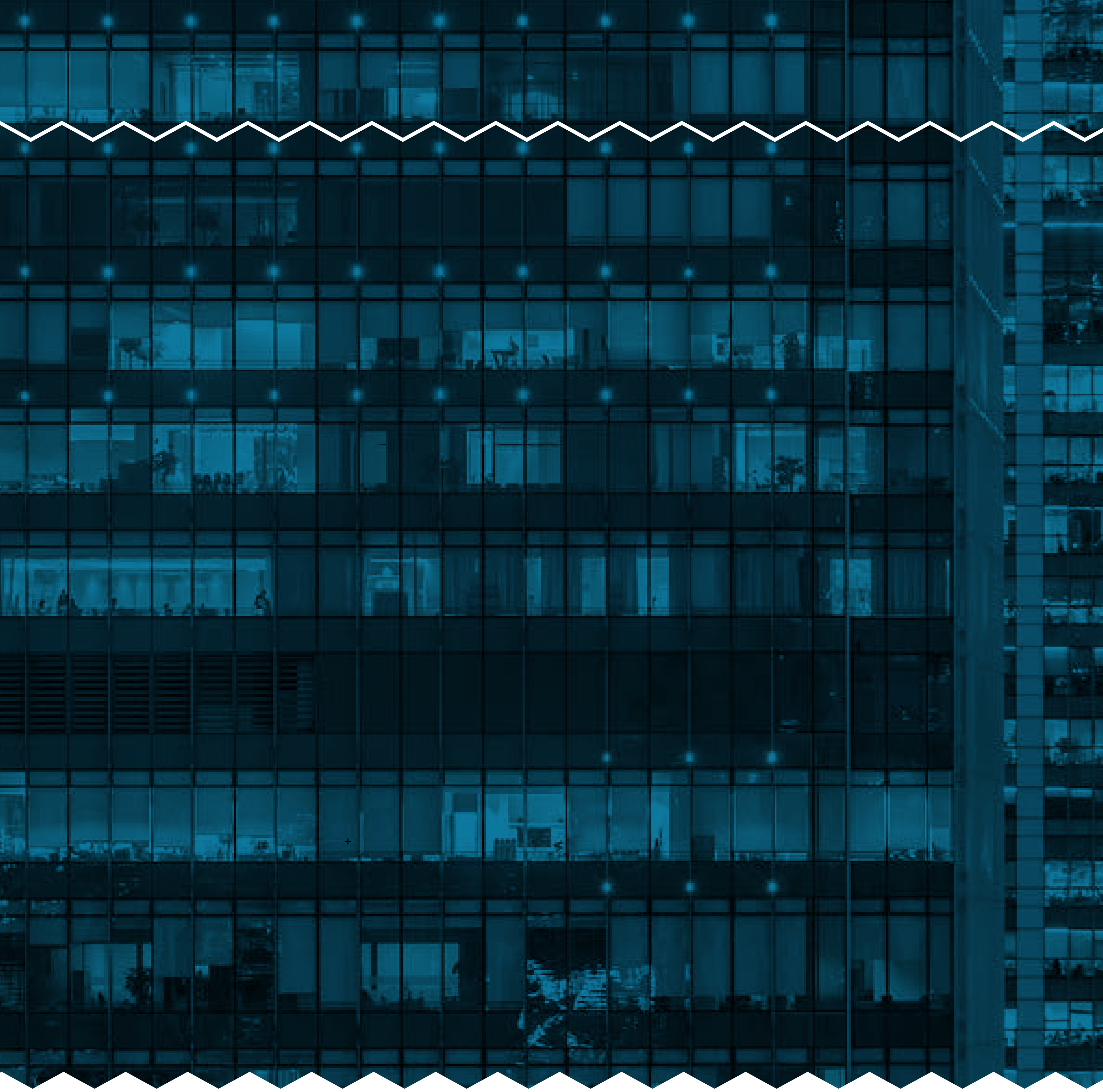
Thus, Electrica continues to offer investors a stable return, which is at a level between 5.2% and 7.3% for each year in the period 2014-2021.

More details about dividends and their distribution can be found on the website: https://www.electrica.ro/en/investors/shares-and-shareholders/dividende_en/ .

3.7. Own shares

In July 2014, ELSA bought back for price stabilization purposes, 5,206,593 ordinary shares and 421,000 Global Depositary Receipts, equivalent of 1,684,000 shares. The total amount paid for acquiring the shares and Global Depositary Receipts was RON 75.4 mn. There were no changes in the number of the treasury shares until the date of the report.





4 Corporate Governance in ELSA

ELSA confers a great importance to the principles of good corporate governance, considering corporate governance a key element for the sustainable business growth and for the enhancement of long-term value for shareholders.

ELSA constantly develops and adapts its corporate governance practices and model, both at standalone, as well as at Group level, so that it can align with the increasingly rigorous capital market requirements and with the best practices in corporate governance at European level, and also for creating opportunities and increase competitiveness.

The corporate governance represents the set of principles standing at the basis of the governance framework used for the company's management and control. Transposed in the internal rules and regulations, these principles determine the efficiency and effectiveness of the control mechanisms aiming to protect and harmonize the interests of all the stakeholders – shareholders, directors, executive managers, managers of different structures of the company, employees and the organizations that represent their interests, customers and business partners, suppliers, central and local authorities, regulators and capital markets operators etc.

ELSA's Code of Corporate Governance presents primarily the main work methods, attributions and responsibilities of the management and supervisory structures of the company, as well as those of the committees constituted to support these structures to fulfil their responsibilities.

ELSA undertook, from the moment of the IPO and admission to trading from July 2014, the implementation of a corporate governance action plan, as part of the framework agreement concluded with the European Bank for Reconstruction and Development. The standards and measures provisioned in this plan have been implemented and continuously monitored. For more details about this Action plan, please see *chapter 4.9*.

4.1. Corporate Governance Code

Starting with 2014, ELSA adheres to and applies wilfully the provisions of the Corporate Governance Code issued by BSE, reviewed periodically. This code can be accessed on the BSE's website at the following address: http://www.bvb.ro/Regulations/LegalFramework/BvbRegulations.

In order to ensure high standards of corporate governance, transparency and business integrity, ELSA also applies provisions of the LSE's Corporate Governance Code.

Formally, ELSA adopted the Code of Corporate Governance (ELSA CGC) starting with February 2015 and made it available to all the interested parties on ELSA's website, in the section *Investors > Corporate Governance*.

In 2020, the chapter 6 of the CGC ELSA regarding the risk management system was revised; in July 2020 the amended ELSA CGC was published on the company's website and is available in the section *Investors > Corporate Governance*.

ELSA's compliance with BSE's Corporate Governance Code is being thoroughly assessed, and as updates and developments appear, ELSA promptly reports them to the capital market. The compliance with the provisions of the CGC issued by the BSE is presented annually in the Declaration on Corporate Governance "apply or explain" in *Chapter 4.8*. This is also available on the company's website in the section *Investors > Corporate Governance > Comply or Explain*.

ELSA CGC embeds the general principles and conduct rules that set forth and regulate the corporate values, the responsibilities, the obligations and the business conduct of the company.

ELSA CGC contains the terms of reference and the main responsibilities of the company's administrative and executive management, as they are detailed in ELSA's Articles of Association, the organization and functioning regulations of the Board of Directors and those of its committees.

ELSA CGC is also a guide on business conduct and corporate governance matters for the management and for the employees of ELSA, as well as for other stakeholders, and provides information about the company's principles and policies. The corporate policies and documents referred to in ELSA CGC can be accessed on the company's website in the section *Investors > Corporate Governance > Corporate policies and other documents.*

During 2022 the following corporate documents have been revised and published on Electrica's website: *Remuneration Policy for Directors and Executive Managers* – on 6 May 2022, the *Code of Ethics and Professional Conduct* – on 1 January 2022, *Policy on Organizing and Running the*

General Meetings of Shareholders – on 17 August 2022, and the *Articles of Association* – on 12 October 2022.

Based on the principles set out in the Code of Ethics and Professional Conduct, corroborated with the need to comply with legal provisions in force, ELSA has adopted, starting with 15 December 2021 and entering into force on 1 January 2022, the *Policy for preventing, combatting and sanctioning of any type of workplace harassment.* This corporate policy can be found on the company's website in the section *Investors> Corporate Governance> Policies and other corporate documents.*

In compliance with company's policies and with the procedures of the Code of Ethics and Professional Conduct, the Audit and Risk Committee ensures that the company's activity is carried on with honesty and integrity, including the implementation of the whistle-blower policy.

ELSA has implemented a procedure for reporting ethical deviations, irregularities and any other aspects of non-compliance with the law that otherwise could cause image and/or commercial prejudice or even involve legal sanctions, thus damaging the prestige and profitability of the company. The whistle-blowing reporting system which functions according to this procedure, as well as the procedure itself, are available on ELSA's website, in the *Whistleblowing* section.

Since ELSA's shares are allowed for trading both on the regulated market managed by Bucharest Stock Exchange (BSE), as well as on the market managed by the London Stock Exchange (LSE), ELSA is subject to the rules imposed by the national and European laws regarding market abuse prevention and the regime applicable to inside information. Thus, ELSA has implemented a Policy on preventing the misuse of inside information, unauthorized disclosure of inside information and market manipulation (*Policy regarding Market Abuse*). The purpose of this policy is to prevent violations of the legal provisions regarding the misuse of inside information, by increasing the awareness of all persons who possess inside information regarding the obligations, restrictions and sanctions applicable in case of possession and abusive use of inside information or in case of market manipulation regarding ELSA's securities.

All the owners of financial instruments of the same type and class issued by ELSA are entitled to equal treatment. In order to ensure efficient, active and transparent communication with its shareholders, within ELSA activates the investor relations department and related processes have been set up to ensure efficient and transparent communication with investors, in compliance with the legal obligations in force, which can be found in the *Investor Relation Corporate Disclosure Policy*, applicable at ELSA level, available, in the updated form, on the company's website since 25 August 2020. The company's rules and procedures that establish the framework for organizing and conducting general meetings of shareholders are contained in ELSA's GMS Policy, amended on 25 August 2020 and available electronically on the company's website in the sections *Investors > General Meeting of Shareholders* and *Investors > Corporate Governance > Corporate policies and other documents*.

The section dedicated to investors is available on ELSA's website by accessing https://www.electrica.ro/en/investors/. Up-to-date essential information, of interest for the investors, can be found in this section, providing access to documents governing the company, in accordance with the provision of the CGC issued by BSE. This section also contains the name and contact details of the person who can provide, upon request of interested parties, relevant information regarding the activity of the company.

4.2. General Meeting of ELSA's Shareholders

The General Meeting of Shareholders ("GMS") is the main corporate governance body of ELSA, deciding on the items as outlined in the Articles of Association. The convening, functioning, voting method, as well as other provisions regarding the GMS are detailed in ELSA's Articles of Association, which is available in electronic format on ELSA's website https://www.electrica.ro/en/the-group/about/constitutive-act/.

Starting with 1 February 2020, ELSA has in place a policy on organizing and conducting the general meetings of shareholders of the company, which presents in detail aspects of interest for investors regarding the way of organizing and carrying out the GMS. It was updated in August 2022, it is extended by the introduction of electronic vote. The policy is available on the company's website, under the section *Investors > Corporate Governance* > Corporate Policies > *Policy on Organizing and Running the General Meetings of Shareholders.*

ELSA's ordinary general meeting of the shareholders (OGMS) has the following main duties:

a. to appoint and revoke the members of the Board and establish the level of their remuneration and other rights according to the legal provisions;
b. to establish the income and expenses budget, to set out the activity schedule;
c. to establish the income and expenses budget consolidated at the group level;
d. to discuss, approve or amend the annual financial statements according to the reports submitted by the Board and the financial auditors;
e. to approve the profit distribution according to the law and to establish the dividend;
f. to decide on the management activity of the directors and on the discharge of liability, in accordance with the law;
g. to decide to file legal actions against the directors, managers as well as financial auditors for damages they caused to the Company by breaching their obligations towards the Company;
h. to decide on mortgaging or leasing or closing of one or more units of the company;
i. to appoint and revokes the financial auditor and to set the minimum term of the financial audit contract;
j. approves the Remuneration Policy for Directors and Managers (appointed by the board of directors);
k. approves the Remuneration Report for Directors and Managers (appointed by the board of directors);
l. approves the overall limit of all Managers' (appointed by the board of directors) remuneration and remuneration of Board members;
m. to carry out any other duties set out by the law.

ELSA's extraordinary general meeting of the shareholders (EGMS) shall decide on the following:

a. withdrawal of the preference right of shareholders upon subscription of new shares issued by the Company;
b. contracting any type of loans, debts or obligations representing a loan, as well as creating real or personal security related to these loans, in each case in accordance with the competence limits provided in Annex 1 to the Articles of Association;
c. operations regarding the acquisition, alienation, exchange or creation of encumbrances over fixed assets of the Company whose value exceeds, individually or cumulated, during any financial year, 20% of the total fixed assets, less receivables and rentals of tangible assets, for a period of more than one year, whose individual or cumulative value compared to the same co-contractor or persons involved or acting in concert exceeds 20% of the total value of fixed assets, less receivables at the date of conclusion of the legal act, as well as associations over a period of more than one year, exceeding the same value;
d. leases of tangible assets for periods longer than one year, whose individual or cumulated value towards the same co-contractor or involved persons or with whom it acts in concert exceeds 20% of the fixed assets value, less receivables at the time of entering in the relevant operation, as well as joint ventures in excess of the same value and with a duration of over one year;
e. approving investment projects in which the Company will be involved in accordance with the competence limits provided in Annex 1 to these Articles of Association, other than the ones provided in the annual investment plan of the Company;
f. approving the issuance and admission to trading on a regulated market or on a multilateral trading facility of shares, depositary certificates, allotment rights or other similar financial instruments; approving the competencies delegated to the Board;
g. changing the legal form;
h. relocation of the registered office;
i. changing the main or secondary business objects;
j. increasing the share capital, as well as decreasing the share capital, according to the law;
k. the merger or the separation;
l. the dissolution of the Company;
m. carrying out any bond issuance, as per the provisions of art. 10 of the Articles of Association, or conversion of a category of bonds in a different category or in shares;
n. approving the conversion of preferential and nominative shares from one category to another, according to the law;
o. any other amendment to the Articles of Association;
p. approval of the eligibility and independence criteria with respect to the Board members;
q. approval of the corporate governance strategy of the Company, including the corporate governance action plan;
r. donations within the limits of the competence provided in Appendix 1 to these Articles of Association; and

s. approves granting of intragroup loans with a value of more than EUR 50 mn. per operation;
t. any other decision that requires the approval of the extraordinary general meeting of the shareholders.

The OGMS is convened at least once a year, within a maximum of four months from the end of the financial year. Except for this situation, OGMS and EGMS are convened as many times as needed, being convened by ELSA's Board of Directors whenever necessary for the activity of Electrica Group. The GMS may be convened also, upon the request of shareholders representing, individually or cumulatively, at least 5% of the share capital. In this case, the general meeting of the shareholders shall be convened by the Board of Directors within no more than 30 days and shall meet within no more than 60 days from the date of receiving the request.

4.3. Shareholders' rights

The rights of all ELSA's shareholders, independent of their holdings, are protected according to the relevant legislation. Shareholders have, amongst other rights provided under the company's Articles of Association and the laws and regulations in force, the right to obtain information about ELSA's operations and results, regarding the exercise of voting rights and the voting results in the GMS.

Shareholders have also the right to participate and vote in the GMS, as well as to receive dividends. Except for the shares owned by ELSA following the stabilization after the IPO in 2014, there are no shares without voting rights. There are no shares granting the right to more than one vote.

Moreover, shareholders have the right to challenge the decisions of GMS or to withdraw from ELSA and to request the Company to acquire their shares, in certain conditions mentioned by the law. Likewise, one or more shareholders holding, individually or jointly, at least 5% of the share capital, may request the calling of a GMS. Those shareholders have also the right to add new items to the agenda of a GMS, provided that those proposals are accompanied by a justification or a draft resolution proposed for approval and copies of the identification documents of the shareholders who make the proposals.

The rights and obligations of the holders of the shares, as extracted from ELSA's Articles of Association, are:

- Each share subscribed and fully paid in by the shareholders, in accordance with the law, grants the shareholders (i) the right to one vote in the general meeting of the shareholders, (ii) the right to elect the management bodies, (iii) the right to participate to the profit distribution, as well as (iv) other rights provided by these Articles of Association and by the legal provisions;
- The acquisition of the property right over a share by a person, directly or indirectly, has as effect the obtainment of the capacity of shareholder of the company together with all rights and obligations deriving from this capacity, in accordance with the law and the Articles of Association;
- The rights and obligations deriving from the shares are transferred to the new acquirers together with the shares;
- When a nominative share becomes the property of several persons, the transfer shall be registered only if they appoint a sole representative for exercising the rights derived from the shares;
- The obligations of the company are secured by its social patrimony, and the liability of the shareholders is limited to the subscribed share capital;
- The shareholder that has, in a certain operation, either personally or as representative of another person, an interest contrary to the interest of the company, must refrain from deliberations regarding the respective operation.

The exercise of the rights by the holders of the depositary certificates[1] is realized as follows:

- The rights and obligations related to the underlying shares based on which the depositary certificates were issued are exercised by the holders of the deposit certificates, proportionally to their holdings of deposit certificates and taking into account the conversion rate between underlying shares and the deposit certificates;
- The holder of the depositary certificates issued based on the underlying shares has the

1 According to ELSA's Articles of Association reflecting the dispositions of Law no. 24/2017 on issuers of financial instruments and market operations.

capacity of shareholder within the meaning and for the application of Law 24/2017 on the issuers of financial instruments and market operations. The issuer of the depositary certificates is fully responsible for informing the holders of the depositary certificates in a correct, complete and timely manner, observing the provisions of the issuance documents of the depositary certificates, about the documents and the informative materials related to a general meeting of shareholders, as made available to the shareholders by the Company.

- In order to exercise its rights and obligations related to a general meeting of shareholders, a holder of deposit certificates will send to the entity where it has opened its account for deposit certificates the voting instructions for the topics on the agenda of the general meeting of the shareholders, so that the respective information is sent to the issuer of the depositary certificates;
- The issuer of the deposit certificates votes in the general meeting of the shareholders of the company in accordance with and within the limits of the instructions of the holders of the deposit certificate which have this quality at the reference date;
- The issuer of the deposit certificates may cast different votes for certain underlying shares in the general meeting of the shareholders than those expressed for other underlying shares;
- The issuer of the deposit certificates is fully responsible for taking all necessary measures, so that the entity which keeps the records of the holders of the deposit certificates, the intermediaries involved in the custody services for holders of the deposit certificates on the market where the deposit certificates are traded and/or any other entities involved in recording the holders of the deposit certificates, to send the voting instructions of the holders of the depositary certificates related to the topics on the agenda of the general meeting of the shareholders;
- Any reference date for the identification of the shareholders which have the right to take part and to vote in the general meeting of the shareholders of the Company and any registration date for the identification of the shareholders which have rights deriving from their shares, as well as any other similar date set by the Company related to any corporate events of the Company will be established in accordance with the applicable legal provisions and with a prior notice sent with at least 15 free calendar days (in Romanian, *zile calendaristice libere*) to the issuer of the deposit certificates, in the name of which the underlying shares are registered based on which the deposit certificates mentioned above are issued. The reference date will be prior with at least 15 working days to the deadline for submitting the power of attorney related to the vote.

Transfer of shares

The shares are indivisible. The company shall recognize a sole owner per each share, subject to the provisions of article 11 paragraph (4) from Articles of Association.

The partial or total transfer of shares between the shareholders or to third parties shall be carried out according to the terms and procedure provided by the applicable legal provisions, including the capital markets legislation.

4.4. ELSA's Board of Directors

ELSA adopted a one-tier (unitary) corporate governance system, in accordance with the principles of good corporate governance, transparency and accountability towards its shareholders and other categories of stakeholders, aiming to support and drive the business development and the efficient exchange of relevant corporate information.

The Board of Directors (BoD) is responsible for taking all the necessary measures to carry out, as well as to supervise the activity of the company. Its structure, organization, duties and responsibilities are established under the Articles of Association and the Charter (organization and functioning regulations) of the BoD.

According to the provisions of the company's Articles of Association, starting with 14 December 2015, the BoD is composed of seven non-executive directors, elected by the Ordinary General Meeting of Shareholders of the company for a four-year mandate, out of which four must meet the criteria of independence provided by the Articles of Association.

During 2022, the Board of Directors' structure has undergone changes, as follows:

- At the beginning of the year, the BoD consisted of the following members: Mr. Iulian Cristian Bosoanca – Chairman, Mr. George Cristodorescu, Mr. Radu Mircea Florescu, Mr. Gicu Iorga, Mr. Adrian-Florin Lotrean, Mr. Dragos-Valentin Neacsu and Mr. Ion-Cosmin Petrescu;
- The members of the Board re-elected Mr. Iulian Cristian Bosoanca as Chairman of the BoD starting with 01 January 2022 and until 31 December 2022;

Table 10. Members of the BoD in 2022

No	Name	Term of office (until 27 April 2025)	Status	Starting date of the first mandate
1.	Mr. Iulian Cristian Bosoanca	4 years	Chairman, non-executive director	29 April 2020
2.	Mr. George Cristodorescu	4 years	non-executive director, independent	28 April 2021
3.	Mr. Radu Mircea Florescu	4 years	non-executive director, independent	7 February 2019
4.	Mr. Gicu Iorga	4 years	non-executive director	1 May 2017
5.	Mr. Adrian-Florin Lotrean	4 years	non-executive director, independent	28 April 2021
6.	Mr. Dragos-Valentin Neacsu	4 years	non-executive director, independent	28 April 2021
7.	Mr. Ion-Cosmin Petrescu	4 years	non-executive director	28 April 2021

Source: Electrica

More details on the Board members' biographies can be found on the Group's website in the section *Investors > Corporate Governance > Board of Directors*.

Below are presented **the most relevant aspects regarding the professional experience of the BoD members.**

Iulian Cristian Bosoanca

Non-executive Director

Iulian Cristian Bosoanca is a non-executive director appointed on 29 April 2020, Chairman of the Board of Directors since 18 July 2020 and member of the Risk and Audit Committee and the Climate Governance and Public Policy Committee.

He holds relevant professional experience in the economic field, especially in the areas of finance, accounting, economic financial analysis and taxation, having over 20 years of practical activity. He holds competences in management, compliance, legal, payroll and human resources, developed in practicing his activity and following as a result of specialized trainings.

The basic profession, accounting and taxation, he carries out as a freelancer ever since 2008, within the company Expert Contabilitate & Servicii S.R.L. (company member CECCAR) but also within the Individual Cabinet of Accounting Expert / Fiscal Consultant, through which he carries out activities of accounting, fiscal and judicial expert.

Starting 1998, Mr. Bosoanca held several positions, executive or management positions, being also a member of the Boards of Directors in various companies such as: CAZANELE S.A. in the period August 2005 – September 2006, Mehedinti County Health Insurance House in the period May 2012 – October 2014 and SECOM S.A. in the period September 2017 – May 2018 (where he was also elected Chairman of the Board of Directors).

Since 2016, Iulian Cristian Bosoanca holds the function of President of the Body of Expert Accountants and Licensed of Romania (C.E.C.C.A.R), Mehedinti Branch.

He also acted as a lecturer within C.E.C.C.A.R. and starting with December 2020 he holds the position of Director of the Ministry Cabinet within the Ministry of Energy.

George Cristodorescu

Non-executive Director

George Cristodorescu is a non-executive, independent director since 20 April 2021, member of the Strategy and Corporate Governance Committee as well as the Climate Governance and Public Policy Committee.

He has extensive professional experience in the energy sector, currently Head of Cluster for for Energy and Climate within the Deutsche Gesellschaft für Internationale Zusammenarbeit, GIZ GmbH, a company where he has a cumulative experience of 12 years.

Previously, Mr. Cristodorescu acted as Partner in Stein & Partner, Executive Search & Management Performance and freelancer, being manager and consultant in various projects of energy efficiency, renewable, district heating and electrical networks.

From October 2013 to May 2014 Mr.Cristodorescu held the position of Chairman of the Supervisory Board of Hidroelectrica S.A., from where he coordinated the implementation of corporate governance, preparation of the strategic development plan of the company and preparation of the company for the initial public offering .

Between September 2005-2013 he was Deputy CEO of E.ON Romania, Head of Division, Head of Administrative Boards of 3 Companies within the E.ON Romania Group and CEO of the E.ON Romania Renewables S.R.L., period in which he coordinated, among others, the restructuring of the E.ON Romania group after privatization, the strategic development of the gas and electricity distribution and supply activities business and, as director, the activity of corporate governance and communications. In parallel, he was appointed as member of the core group strategy group for E.ON AG, Düsseldorf, member of the policy group for E.ON AG, Brussels and President of the Association of Utility Companies in Romania.

Radu Mircea Florescu

Non-executive Director

Radu Mircea Florescu is an independent non-executive director since 7 February 2019, Chair of the Audit and Risk Committee and member of the Nomination and Remuneration Committee.

Radu Mircea Florescu is currently the CEO of Centrade | Cheil, Southeast Europe, the regional communications hub for Cheil Worldwide, coordinating 11 markets in the Adriatic and Balkan region.

For more than 40 years, Radu Florescu worked in top multinational companies from Fortune 500, activating in emerging countries, including programs financed from EU funds. Mr. Florescu began his career in trading at NYMEX where he coordinated all trading activities for petroleum products and precious metals. A graduate of Marketing and Finance from Boston College with a Bachelor of Science degree, Radu Mircea Florescu began his career in commodity trading with Merrill Lynch/EF Hutton at NYMEX (New York Mercantile Exchange), with a specific focus on WTI (West Texas Crude), fuel oil and gasoline. In 1989, he co-founded Centrade USA and became one of the leading pioneers for marketing and communication services on the Romanian market with the launch of Saatchi & Saatchi, SSX, Chainsaw Studios, Cable Direct and Zenith Media.

Radu Florescu has held other notable positions including nomination as member to numerous board positions: founding member and board member of IAA Romania, co-founder and member of the Union of Advertising Agencies of Romania (UAAR), member of the European Council of the European Association of Communication Agencies (EACA), representing Romania and Eastern Europe in Brussels (2012 - 2015, 2017 and presently Treasurer), member of the Board of Directors and vice-president of the American Chamber of Commerce in Romania (2013 - 2015 and 2016 - 2021), member of TAROM's Board of Directors (March 2015 - June 2017), non-executive board member of SulNOx Group PLC, president of the Administrative Council of Foreign Democrats in Romania, coordinator and member of the Steering Committee for Coalition for Romania's Development – the "umbrella" group and leading association representing the business community and trade sections from key foreign embassies in Bucharest.

Radu Mircea Florescu is also active in the field of social responsibility, having a long history of contribution in local community, presently acting as Member of the Board of Directors for different organizations such as AIESEC Romania (International Association of Students in Economics), Junior Achievement Program, OvidiuRo, Principesa Margareta Foundation, ASEBUSS and United Way Romania.

Gicu Iorga

Non-executive Director

Gicu Iorga is a non-executive director since 1 May 2017 and President of the Strategy and Corporate Governance Committee.

Gicu Iorga has an experience of over 35 years in the field of economics and public administration and currently holds the position of Head of Customs Office within A.N.A.F. – D.G.V Bucharest.

Most of his professional activity was carried out in institutions such as National Customs Authority, A.N.A.F – General Customs Directorate, General Public Finances Directorate Bucharest and National Sanitary Veterinary and Food Safety Authority (A.N.S.V.S.A.).

Starting with April 2017 and until November 2019 Mr. Gicu Iorga held the position of General Secretary within the Ministry of Energy where he coordinated the good functioning of the departments and functional activities within the Ministry. Further to that, starting March 2020 and until March 2021 he occupied the position of Deputy General Secretary within the Ministry of Economy, Energy and Business Environment.

Adrian-Florin Lotrean

Non-executive Director

Adrian-Florin Lotrean is a non-executive, independent director since 28 April 2021, the Chairman of the Nomination and Remuneration Committee and member of the Strategy and Corporate Governance Committee.

Presently Mr. Lotrean holds the position of President/interim member of the Board within the Compania Municipala Termoenergetica S.A and an extensive professional experience in the field of insolvency, coordinating, as insolvency practician and Associated Lawyer in the civil professional company CITR SPRL, in the period February 2010 – December 2020, complex restructuring projects on production of thermal energy and electricity in cogeneration (for clients such as CET ARAD SA, Electrocentrale Constanta SA), being consultant to the judicial administrator of Electrocentrale Bucuresti SA and coordinating the restructuring procedure of Hidroserv S.A.

Previously, between September 2019 – December 2020, Mr. Lotrean held the position of Member of the Board of Directors of Electroplast SA Bistrita, between November 2007 and February 2010 he was insolvency practitioner in the professional civil company Casa de Insolvență Transilvania S.P.R.L where he participated in the management of projects for more than 50 commercial companies.

Between January 2003 – November 2007, Mr. Lotrean held the position of Financial Consultant within SC Depofarm SLR, providing consultancy for the elaboration of projects financed from European funds, the elaboration of feasibility studies, business plans and financial-fiscal consultancy. Previously, between November 2001 and December 2002, he held the position of specialized inspector within the Fiscal Control Department of the General Directorate of Public Finance Satu Mare.

Dragos-Valentin Neacsu

Non-executive Director

Dragos- Valentin Neacsu is a non-executive, independent director since 28 April 2021, Chair of the Climate Governance and Public Policy Committee and member of the Audit and Risk Committee.

Mr. Neacsu has an extensive professional experience in the field of investment management and financial markets, currently holding the position of independent member of the Board, member of the Audit Committee and Chairman of the Appeals Commission of the Bucharest Stock Exchange S.A., as well as the position of independent member of the Board of Directors at Depozitarul Central S.A. Mr. Neacsu is also the CEO of the GS1 Romania Association, part of a global network of 115 not-for-profit organizations, with an activity focused on elaborating and promotion of coding systems, serialization and traceability in business communication.

Until October 2019, Mr. Neacsu held the position of Chief Executive Officer, Chairman of the Board of SAI Erste Asset Management SA, previously being Director, Financial Advisory Services of Deloitte Consultancy SRL. Between February-September 2005 he was State Secretary Minister, Head of State Treasury within the Ministry of Public Finance. Between July 1998 and February 2005, he held the position of President – CEO of SSIF Raiffeisen Capital & Investment S.A.

Among other relevant positions held by Mr. Neacsu: Member of the Board of Governors EFAMA (European Fund and Asset Management Association, between 2013-2016), Romania's representative in multilateral financial institutions (Council of Europe Bank (BDCE), Black Sea Trade and Development Bank (BSTDB)), Vice-president and then President of the Romanian Association of Asset Managers (AAF, between 2008-2016), founding member and first Vice President of the Board of Romanian Association for Privately Managed Pension Funds (APAPR in 2004), Independent non-executive member of the Supervisory Board of BCR Pensii, Private Pension Fund Management Company S.A. (between 2009-2019), Non-executive member of CEC Bank S.A Board (between 2005-2006), Non-Executive member of the Bucharest Stock Exchange Board of Governors (2001-2005), Independent Non-Executive Member of the Board of FINS IFN SA (2018-present), Board Member of the Romanian Business Leaders Foundation (2017-present), member of the Board of "Merito" educational project.

He is part of the first generation (1994-1995) of the Romanian-Canadian MBA Program, cooperation of UQAM and McGill Canadian universities, together with Academy of Economic Studies in Bucharest and holds a BA in Civil Engineering from Technical University Bucharest (1989).

Ion-Cosmin Petrescu

Non-executive Director

Ion-Cosmin Petrescu is a non-executive director since 28 April 2021, member of the Nomination and Remuneration Committee.

Mr. Cosmin Petrescu holds an extensive professional experience in business development, sales and management, Mr. Cosmin Petrescu presently activates in FNGCIMM, where he leads the activity of IT, State Aid and Reporting Divisions. Cosmin Petrescu is also the President of the working groups dedicated to the program IMMINVEST ROMANIA and for the relation with the European Bank of Reconstruction and Development.

Starting February 2021, he holds the position of Adviser within the Chancellery of the Prime Minister, on digitization issues.

Previously, starting with the year 2001, Mr. Petrescu held different positions within companies acting in the Oil & Gas sector where he demonstrated his competences in business process optimisation (Lean Management).

Three consultative committees support the activity of the BoD, respectively the Nomination and Remuneration Committee, the Audit and Risk Committee and the Strategy and Corporate Governance Committee, each of them composed of three directors and chaired by one of them. The majority members of the Nomination and Remuneration Committee and of the Audit and Risk Committee, as well as their Chairs, are independent directors.

The consultative committees' members are elected for a period of one year. Changes in the composition of the committees during this period may intervene with the vacancy of a Board position. The organization, duties and responsibilities of each committee are set under ELSA's Articles of Association, respectively in the committee Charters and in the Company's Corporate Governance Code.

The composition of the committees during 2022, as it follows:

01 January – 31 December 2022

Nomination and Remuneration Committee:

- Mr. Adrian-Florin Lotrean – Chairman;
- Mr. Radu Mircea Florescu – Member;
- Mr. Ion Cosmin Petrescu – Member

Audit and Risk Committee:

- Mr. Radu Mircea Florescu - Chairman;
- Mr. Dragos-Valentin Neacsu – Member;
- Mr. Iulian Cristian Bosoanca – Member.

Strategy and Corporate Governance Committee:

- Mr. Gicu Iorga - Chairman;
- Mr. George Cristodorescu – Member;
- Mr. Adrian-Florin Lotrean – Member.

At the issue date of this report, the composition of the BoD Committees is as follows:

Nomination and Remuneration Committee:

- Mr. Adrian-Florin Lotrean – Chairman;
- Mr. Radu Mircea Florescu – Member;
- Mr. Ion Cosmin Petrescu – Member.

Audit and Risk Committee:

- Mr. Radu Mircea Florescu - Chairman;
- Mr. Dragos-Valentin Neacsu – Member;
- Mr. Iulian Cristian Bosoanca – Member.

Strategy and Corporate Governance Committee:

- Mr. Gicu Iorga - Chairman;
- Mr. George Cristodorescu– Member;
- Mr. Adrian-Florin Lotrean – Member.

Climate Governance and Public Policy Committee:

- Mr. Dragos-Valentin Neacsu – Chairman;
- Mr. George Cristodorescu – Member;
- Mr. Iulian Cristian Bosoanca – Member.

According to the available information, there is no agreement, understanding or family relation between the directors of the company and another person who may have contributed to their appointment as directors.

As of 31 December 2022, among the BoD members, Mr. Dragos-Valentin Neacsu holds a number of 50 ELSA shares.

According to the available information, the BoD members were not involved in litigations or administrative proceedings regarding their activity within the company or regarding their capacity to fulfil their duties within the company in the past five years.

4.5. The activity of ELSA's Board of Directors and of its consultative committees in 2022

In 2022, the Board of Directors met 55 times; of these, 25 meetings were organized with the physical presence of the members, 5 were held by conference call, in accordance with Art. 18 para. 20 of the company's Articles of Association and 25 meetings were organized electronically.

Nelow are presented the Board members' attendance (in person, by conference call, or by e-mail) in the meetings of the Board of Directors and its committees in 2022.

Table 11. Participation of the BoD members at the meetings and of the committees in 2022

Name	The Board of Directors (no. of meetings 55)	The Audit and Risk Committee (no. of meetings - 28)	The Nomination and Remuneration Committee (no. of meetings - 26)	The Strategy and Corporate Governance Committee (no. of meetings - 33)
Iulian Cristian Bosoanca	55	28	-	-
George Cristodorescu	47	-	-	28
Radu Mircea Florescu	51	28	23	-
Gicu Iorga	53	-	-	32
Adrian-Florin Lotrean	55	-	26	33
Dragos-Valentin Neacsu	54	28	-	-
Ion-Cosmin Petrescu	55	-	26	-

Source: Electrica

Evaluation of the Board of Directors

The Board evaluates annually its activity and that of its consultative Committees to identify areas of improvement, and to increase its efficiency. The purpose of the evaluation is to provide members of the Board with an overview of their activity, strengths/weaknesses, performance and the potential of collective and individual development, in order to efficiently and effectively fulfil their responsibilities as members of the Board.

According to the established mechanism, the evaluation is conducted either with the support of a consultant or by self-evaluation.

The Board of Directors decided, in accordance with good corporate governance practices, to evaluate the activity carried out and its functioning during 2022, with the support of an external consultant with international experience, specialized in the evaluation of management teams and boards of directors from listed companies.

Previously, the Board of Directors has self-evaluated its activity for the year 2021, using a questionnaire, internally developed, discussed and agreed by the Board members.

The members of the Board who contributed to the evaluation are: Mr. Iulian Cristian Bosoanca - Chairman of the BoD, Mr. George Cristodorescu, Mr. Radu Mircea Florescu, Mr. Gicu Iorga, Mr. Adrian-Florin Lotrean, Mr. Dragos Neacsu and Mr. Ion-Cosmin Petrescu.

The evaluation process focused on the following 11 dimensions relevant to the activity of the Board of Directors and the market context of Electrica SA:

- Composition and expertise of the BoD;
- Quality of information and materials;
- Agenda and Board meetings;
- Board coordination;
- BoD committees;
- Interactions between the BoD and the Executive team;
- Dynamics of the interactions and processes;
- Performance management;
- Strategic Management and Risk Management;
  - Innovation and digitalization;
  - Sustainability;

Following the evaluation, the consultant submitted to the Board of Directors a detailed report with the analysis of the outcome of the evaluation process.

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three non-executive BoD members, two of its members are independent.

The role of the Committee is to propose candidates for the BoD, to develop and propose to the Board the selection procedure of candidates for the executive managers' positions and other management positions, to recommend the Board candidates for these positions, to formulate proposals on the managers' and other management positions' remuneration.

The Committee has the following responsibilities **concerning nomination matters:**

- recommends to the Board a nomination policy, including a target Board profile, the process and principles to be considered by the shareholders when proposing candidates for company's directors, and advises the Board regarding the nomination of interim directors in accordance with the policy;
- reviews the implementation of the nomination policy, submits a report to the Board on its implementation and presents a summary of this report in the Directors' Report;
- advises the Board on the appointment and dismissal of the Chief Executive Officer, makes recommendations on the appointment and dismissal of the company's executive management team after consulting with the Chief Executive Officer, and makes proposals on the appointment and dismissal of subsidiaries' board of directors members in accordance with the Group Governance Policy;
- recommends to the Board policies in the human resources field, including those covering recruitment and dismissal, talent management and development and succession planning across the company and its subsidiaries (the Group);
- recommends to the Board a succession policy, both for the members of the board and for the executive team;
- supervises the process of annual evaluation of the effectiveness of the Council and its advisory committees;
- periodically assesses the size, composition and Committee's structure and makes recommendations to the Board with regard to any changes;
- advises the Board on continuous skill development programmes for Board members and executive management;
- oversees the nomination process of the appointment of subsidiaries' CEOs and executive managers according to the nomination and remuneration policy.

The Committee has the following duties **regarding remuneration:**

- advises the Board in relation to the remuneration, incentive and compensation policies of the company;
- advises the Board regarding the periodic review of the remuneration policy for Board members and executive managers;
- advises the Board in relation to the remuneration of the CEO and other executive managers, including the main remuneration components, annual and long term performance objectives and regarding evaluation methodology;
- makes recommendations to the Board on the remuneration of subsidiaries' board members and the general limits of remuneration for subsidiaries' executive management;
- monitors compensation trends within areas relevant to the Group;
- oversees the remuneration process of the subsidiaries' chief executive officer and executive managers according to the nomination and remuneration policy at the Group level;
- verifies at least once a year the number of mandates held in other companies by the members of the Board and by the executive managers, in order to evaluate their independence;
- oversees the annual evaluation process of the Board of Directors' activity.

The Nomination and Remuneration Committee met 26 times during 2022, among the main aspects on which the activity of the Committee focused, were the following:

- Analysis of ELSA executive managers' KPIs achievement for 2021 and establishing of the KPIs for 2022, along with the revision of performance evaluation methodologies, Short Term and Long Term;

- Supervising the evaluation process of the Board of Directors' activity during 2022;
- Endorsing the proposals regarding the nomination of the subsidiaries' Board members;
- Revision the Remuneration Policy for the Company's Directors and Executive managers;

The Audit and Risk Committee

The Committee is composed of three non-executive BoD members, two of them being independent. The Committee's composition provided the necessary expertise in finance and risk management, according to legal requirements.

The main role of the Committee is to support the Board in fulfilling its duties of verifying the efficiency of company's financial reporting, internal control and risk management. While fulfilling this role, the Committee advises the Board regarding the assessment of the annual report and annual financial statements, whether the documents are accurate, balanced and comprehensive and provide all the necessary information for the shareholders' evaluation of the financial performance.

The Committee has the following duties in **terms of financial reporting:**

- examines and monitors the financial reporting process, the integrity of annual and interim financial statements, at standalone and consolidated levels, or of disclosures made by ELSA and its subsidiaries;
- reviews press releases announcing financial or operational results related to or derived from such financial statements, as well as any financial information or earning guidance, to be provided to financial analysts or rating agencies, by analyzing the fairness and adequacy of the content and presentation of such statements or information;
- regularly reviews the adequacy of the Group's accounting policies;
- reviewes the financial forecast policy of the Company and recommends, to approval, towards Board of Directors.
- reviews and advises the Board on whether the content of the annual report, taken as a whole, represents a fair, balanced and understandable account for shareholders and provides them with the information necessary to assess the Company's performance.

Regarding the **audit and internal control matters**, the Committee has the following responsibilities:

- endorses, for the Board's approval, the annual plan at Group level, based on the annual risk assessment, as well as any significant changes to the plan and receives periodic reports on activities, important findings and follow-up of internal audit reports;
- periodically reviews the charter and internal audit manual and submits them to the Board, for approval;
- advises the Board on the appointment, dismissal and remuneration of the Head of Internal Audit Department;
- monitors the adequacy, effectiveness and independence of the internal audit function;
- makes recommendations to the Board on the appointment, rotation or dismissal of the company's external auditor;
- reviews the plan, activity and findings of the external auditor;
- assesses the independence and objectivity of the external auditor and monitors the compliance with relevant ethical and professional guidance, including the requirements on the rotation of audit partners;
- monitors the application of the legal standards and generally accepted internal audit standards;
- endorses the internal audit reports, the recommendations made by the internal auditors and the plans of measures for the implementation of the recommendations;
- performs any other activities established by the Board and the law;
- regularly reviews the adequacy of the key internal control policies, including fraud detection and bribe prevention policies;
- reviews the operations between affiliated parties in accordance with a policy drafted by the Committee and approved by the Board;
- analyzes the annual report prepared by the Internal Audit Department and/or Risk Management, which evaluates the effectiveness of the internal control system within the Group.

The Committee has the following responsibilities concerning **risk management matters:**

- reviews regularly the main risks facing the company and the Group, recommending to the Board adequate policies for risks identification, mapping, management and mitigation;
- monitors the main categories of risks that are recorded annually in the management report in order to reduce them and to evaluate the efficiency of the risk management system within the Group;
- makes recommendations to the Board on financing methods, including proposals for contracting any type of loans and securities associated with these loans;
- makes recommendations to the Board regarding major economic transactions within the authority of the General Meeting of Shareholders and assesses the associated risks regarding such transactions.

The Audit and Risk Committee met 28 times during 2022, among the main aspects on which the activity of the Committee focused, being the following:

- Analysis of the financial statements of ELSA at standalone and consolidated level for the financial year of 2021, as well as the financial statements of company's subsidiaries for the financial year of 2021, together with the financial auditor report and recommendations, issued during the auditing process;
- ELSA's budget execution, the consolidated budget execution and the quarterly financial results;
- Monitoring of the internal audit plan for 2022 and analysis of its achievement, as well as the reports submitted by the Internal Audit Department, proposing recommendations;
- Monitoring the implementation of the recommendations made by the internal audit department;

The internal audit activity is carried out by a structurally separate organizational unit (the internal audit department), within the Company. To ensure the fulfilment of its main functions, it reports functionally to the BoD through the Audit and Risk Committee and administratively to the CEO.

The Strategy and Corporate Governance Committee

The Committee is composed of three non-executive BoD members, holding the necessary expertise in performing the committee's specific duties, two of them being independent.

The Committee has the following **duties in terms of strategy:**

- makes proposals to the Board on the development of the medium-term strategic plan, makes recommendations on the strategic direction, priorities and long term objectives of ELSA and its subsidiaries;
- reviews management proposals on the Group's consolidated annual budget, subsidiaries' annual budgets, investment plans of the Group companies and makes relevant recommendations to the Board;
- advises the Board in monitoring and assessing the Group's performance in relation to the approved strategic plan, budgets, investment plans, industry trends, local and regional market trends, company's competiveness and technological advances;
- periodically reviews the overall strategic planning process, including the process of developing the medium-term strategic plan, makes recommendations on the issues that can be improved in strategic planning and provides feedback to the executive management;
- makes recommendations to the Board regarding the proposed acquisitions, divestments, investment projects, joint-ventures and collaboration projects, especially assessing their alignment with the Group's strategy;
- performs any other activities or assume responsibilities regarding strategic matters which may be delegated periodically to the Committee by the Board.

Regarding the **tasks of the Committee on restructuring**, they mainly relate to the following:

- reviews and makes recommendations to the Board with respect to the development and implementation of the Group's overall restructuring plans and objectives, including any decision regarding the conduct or efficiency of core businesses;
- regularly reviews the organizational structure and chart of the company, and makes recommendations to the Board in this regard;

- performs any other activities or responsibilities on restructuring matters as may be periodically delegated to the Committee by the Board.

Also, the Committee has duties in **terms of corporate governance**:

- oversees and monitors the company's compliance with legal and contractual obligations on corporate governance, as well as other applicable corporate governance principles and makes recommendations to the Board;
- regularly reviews the company's Corporate Governance Code, the Charter of the Board of Directors and the company's Articles of Association and makes recommendations to the Board on relevant amendments to the company's corporate governance policy and documentation;
- submits the Group Governance Policy to the Board for approval and regularly reviews it thereafter;
- reviews the company's Delegation of Authorities policy and the company's Delegation of Authority standard in order to ensure that the delegation of authorities to management allows for effective and efficient decision-making process, and makes recommendations to the Board in this respect;
- reviews the company's policy for corporate social responsibility and stakeholder engagement, and makes recommendations to the Board in this regard;
- makes recommendations to the Board on improving the quality of information flows to the Board, including the improvement of reports sent, key performance indicators presented to them, and guidelines for preparing Board documents and presentations;
- drafts reports or materials related to corporate governance, upon the Board request.

During the year 2022, **the Committee met 33 times,** among the main aspects on which the activity of the Committee focused, being the following:

- Analysis of the opportunities and the efficiency of investments in different renewable production capacities and participation in various competitive processes in this regard;
- Endorsement of the amendments to the ELSA's Articles of Association;
- Revision of the Internal Standard Delegation of the Authority and of the Regulation of Organization and Functioning of SE Electrica SA;
- Endorsement of the reorganization process of the Company's personnel structure;
- Endorsement of the Revenue and Expenditure Budget for the year 2022;
- Endorsement of the revision of the Electrica Group Strategy for 2019-2023.

4.6. ELSA's Executive management

In accordance with ELSA's Articles of Association, the Board of Directors (BoD) appoints and revokes the CEO, as well as the other executives with mandates and also approves their empowerments.

The attributions of the Company's executive managers (including those of the General Manager) are established by the mandate agreements based on which the directors carry out their activity within ELSA, the internal organization and functioning regulations of ELSA and the applicable legal provisions.

During the meeting held on 15 December 2021, ELSA's Board of Directors took note of the expiration on 3 January 2022 of the mandate agreement between the Company and the Chief Financial Officer, Mr. Mihai Darie.

During the meeting held on 3 January 2022, ELSA's Board of Directors decided to appoint Mr. Stefan-Alexandru Frangulea, as interim Chief Financial Officer, starting with 4 January 2022 and until 31 December 2022 (inclusive), mandate extended during the meeting held on 29 December 2022 until 28 February 2023 (inclusive).

During the meeting held on 15 April 2022, ELSA's Board of Directors took note of the notice of resignation from the mandate submitted by Mr. Stefan-Ionut Pascu, considering the effective termination date of the mandate contract as 30 April 2022.

During the meeting held on 5 May 2022, ELSA's Board of Directors decided to revoke Ms. Georgeta Corina Popescu from the position of Chief Executive Officer, starting on 16 May 2022. At the same time, the Board of Directors decided to appoint Mr. Chirita Alexandru-Aurelian, as interim Chief Executive Officer, starting on 17 May 2022, mandate extended during the meeting held on 16 August 2022 until 31 December 2022, subsequently, during the meeting held on 29 December 2022, took place the extension of the mandate granted until 28 February 2023 (inclusive).

During the meeting held on 27 February 2023, at the recommendation of the Nomination and Remuneration Committee, the Board of Directors decided to extend the duration of the mandate of Mr. Alexandru-Aurelian Chirita as interim CEO until 30 April 2023 (inclusively), under the same conditions as well as to extend the duration of the mandate of Mr. Stefan-Alexandru Frangulea as interim CFO for a period of 2 years, until 27 February 2025 (inclusively), under the same conditions.

Following these changes, during 2022, ELSA's executive directors, appointed under the terms of office, are presented in the table below.

Table 12. ELSA's Executive management during 2022

Name	Function	The Executive Manager's mandate
Georgeta Corina Popescu*	Chief Executive Officer	1 February 2019 – 16 May 2022
Alexandru-Aurelian Chirita	Chief Executive Officer	17 May 2022 – 30 April 2023
Mihai Darie	Chief Financial Officer	3 January 2018 – 3 January 2022
Stefan Alexandru Frangulea	Chief Financial Officer	4 January 2022 – 27 February 2025
Livioara Sujdea	Chief Distribution Officer	1 February 2017 – 31 January 2021, the mandate being renewed for a period of 4 years, respectively 1 February 2021 - 31 January 2025
Stefan Ionut Pascu	Chief Corporate Development Officer	1 October 2021 – 31 December 2021, the mandate was renewed for a period of 12 months, respectively 1 January 2022 – 30 April 2022
Mircea Toma Modran	Chief IT & C Officer	1 June 2019 - 1 June 2023

Source: Electrica

*Termination without cause of the mandate agreement.

More details on the in place executive managers' biographies can be found on ELSA's website in the section

https://www.electrica.ro/en/investors/corporate-governance/board-of-directors/.

According to the information held by ELSA, there is no contract, understanding or family relationship between the executive managers of the Company and another person who may have contributed to their appointment as executive managers.

According to available information, ELSA's executive managers mentioned in this chapter have not been involved, in the last five years, in any litigations or administrative proceedings related to their activity within the company and neither to their capacity to fulfil their work-related duties in the Group.

Alexandru Aurelian Chirita

Interim Chief Executive Officer

Alexandru Chirita is a professional with a substantial experience in the legal and energy fields. He earned his Bachelor's degree from the Law School at the University of Bucharest in 2008, and subsequently dedicated nearly a decade to practicing law. Throughout his career, Mr. Chirita has amassed comprehensive expertise in consultancy on various legal matters, encompassing corporate law, commercial transactions, and litigation. His profound understanding of legal frameworks, coupled with his aptitude for devising and executing effective legal strategies, has been instrumental in achieving organizational objectives.

Mr. Chirita's multidisciplinary background is evident in his academic accomplishments. He holds a Master's degree in Law and European Governance from the National School of Political and Administrative Studies (SNSPA), a Master's degree in European Union Law, and a Bachelor's degree in Law from the Faculty of Law at the University of Bucharest. He is currently pursuing a Doctorate in Administrative Sciences at SNSPA.

As an active member of the professional community, Mr. Chirita participates in several organizations, such as The International Association of Privacy Professionals, the European Law Institute, the United Nations Association of Romania (ANUROM), and the Romanian Arbitration Institute.

Before joining Electrica, he held the positions of Legal Manager and Data Protection Manager at Hidroelectrica. In these capacities, he formulated and executed legal and data protection strategies, ensuring compliance with regulatory mandates, managing litigation and disputes, and supervising contract negotiations. His legal acumen and experience have proven invaluable in his role as CEO of Electrica, a position he has held since May 2022.

Stefan-Alexandru Frangulea

Interim Chief Financial Officer

Starting with January 4, 2022, Mr. Ștefan Alexandru Frangulea has taken over the position of Interim Chief Financial Officer.

Ștefan-Alexandru Frangulea has 20 years of experience in the financial-banking and energy sectors, in areas such as: corporate banking, corporate treasury, corporate finance, strategy, financial and capital markets, general management, business development, having held various executive and management positions.

A graduate of the Academy of Economic Studies, Finance, Banking, Insurance and Stock Exchanges as well as the professional Executive MBA programs of the Wirtschaftsuniversität Wien (WU) and IEDC Bled School of Management, Ștefan joined the Electrica team in February 2018 as Director of the Department Treasury, Debt Collection and Credit Risk Management, subsequently changed following the modification of the organizational chart to Director of the Treasury Department (Head of Treasury).

Ștefan-Alexandru Frangulea is one of the founding members and currently President of the Board of Directors of the Association of Treasurers from Romania (ATR), the professional organization of corporate treasurers in our country, affiliated to the European Association of Corporate Treasurers (EACT) and International Group of Treasury Associations (IGTA). Also he is Vice-President of the Board of Directors of the Association of Independent Administrators from Romania.

Livioara Sujdea

Chief Distribution Officer

With an experience of over 22 years in energy field started Ms. Livioara Sujdea activity started as a Design Engineer at Electrica, subsequently occupying various top management positions, including Deputy General Manager and member of the Board of Directors at E.ON Moldova Distributie, E.ON Gas Distributie, E.ON Distributie România, Director of Operation and Maintenance at Delgaz Grid and Deputy General Manager and member of the Board of Directors at E.ON Energie.

Livioara Şujdea graduated the Technical University “Gheorghe Asachi” of Iaşi – Faculty of Electrical Engineering and Energy, where she also obtained a master’s degree in business management and Commercial Engineering, and she also has an Executive MBA with specialization in General Management at the University of Sheffield U.K. and a Strategic Management and Leadership Degree from the Chartered Management Institute London, U.K.

Starting with February 1st, 2017, Ms. Livioara Şujdea has taken over the position of Chief Distribution Officer, for a period of 4 years. Following the reconfirmation in office, Ms. Şujdea’s second term began on 1 February 2021, for a period of 4 years.

Ioana-Andreea Lambru

Business Development Executive Officer

Starting from March 15, 2023, Mrs. Ioana-Andreea Lambru took over the position of Business Development Executive Officer, for a period of 4 years.

Mrs. Lambru graduated from the Faculty of International Financial-Banking Relations at the Romanian American University.

With more than 10 years of experience in government and public administration, Mrs. Ioana Andreea Lambru held the position of President of the Supervisory Board of the Hidroelectrica company for the last 6 years.

Mircea Toma Modran

Chief Information Officer

Starting on June 1st, 2019, Mr. Mircea-Toma Modran has taken over the position of Chief Information Officer within Electrica SA, for a 4 years's term.

Mr. Mircea-Toma Modran has graduated from the Faculty of Electrical Engineering, Department of Automation and Computers (currently the Faculty of Automation) of the University of Craiova, with an Electrical Engineer degree, and the York University Schulich School of Business Toronto, with a Master of Business Administration degree. He has also attended postgraduate programs at Humber College and the Niagara Institute from Canada, and the Ashridge-Hult and Edinburgh Universities from UK.

With more than 30 years of professional experience, he has served for 20 years in top management positions for Romanian and foreign, private and state owned, listed companies, operating in energy and utilities, oil and gas, chemical, aeronautics and information technology, fulfilling a wide range of responsibilities, from the classic IT and industrial automation to direct coordination of operational divisions with strategic impact on financial results.

4.7. Remuneration of the Directors and of the Executive Managers with mandate agreements

At the Electrica Ordinary General meeting of shareholders (OGMS) on 20 April 2022, the remuneration Policy for Directors and Executive Directors was approved, without any changes to the remuneration limits previously established by the GMS for Directors and Executive Directors. The amendments cover the additions made as a result of the new legislative provisions, in order to present in a transparent manner the elements of fixed and variable remuneration, including financial and non-financial benefits, in any form, which are granted to the directors.

Also, in developing the remuneration policy, good practices used internationally and nationally for similar ELSA companies were taken into account, as identified after the listing of the company.

Starting with 2022, the Company has prepared and published the remuneration Report for Directors and Executive Directors 2021, in accordance with the provisions of Law 24/2017 on issuers of Financial instruments and market operations. The report was awarded at the Electrica ordinary General meeting of shareholders (OGMS) on 20 April (https://www.electrica.ro/en/investors/general-meetings-of-shareholders/2022-gms/general-meeting-of-shareholders-as-of-20-april-2022/), with the aim of presenting an overview of the remuneration and benefits granted and/or owed during the last financial year, to the managers individually, including new recruits and former managers in accordance with the Company's remuneration Policy.

The remuneration policy for directors and executives is reviewed annually by the CNR and describes the main pillars of remuneration, as well as the terms, conditions and non-financial benefits approved by ELSA's corporate bodies.

The **remuneration policy** has the following objectives:

- setting clear remuneration thresholds and guidelines;
- establishing the remuneration structure;
- ensuring the correlation between the remuneration levels within ELSA.

4.8. Statement regarding the corporate governance "Comply or Explain"

The present Statement reflects ELSA's status of compliance with the new BSE Corporate Governance Code as of 28 February 2023.

Note: considering the fact that there are no mentions for "Reason for non-compliance", the corresponding column has been removed from the table below.

Table 13. ELSA's compliance with the provisions of the BSE Corporate Governance Code

No.	Provisions of the BSE Corporate Governance Code	Compliance YES/NO/ PARTIALLY	Other remarks
Section A	**Responsibilities**		
A.1.	All companies must have an internal Board regulation which includes the terms of reference/ responsibilities of the Board and the key management functions of the company, and which applies, among other things, the General Principles of this Section.	YES	The company had elaborated ever since February 2015 ELSA's Corporate Governance Code (ELSA's CGC) that included the Articles of Association of the Company, the rules of organization and functioning of the BoD and of its committees. All these documents mentioned above contain the terms of reference/the responsibility of BoD, as well as those of the key management functions of the company. In 2016, the Board carried out an extensive project to review the Articles of Association and the above-mentioned regulations in order to detail the responsibilities of the Board, of its committees and of the management team, taking into account the recommendations made in the Evaluation Report of the Board's activity in the previous year. In recent years, these documents have undergone successive revisions to align with domestic and international best practices. The most recent versions of the Articles of Associations, ELSA's CGC and the Charter of the BoD and its Committees are available on the company's website in the section *Investors -> Corporate Governance*. The last update of ELSA's CGC took place in July 2020, and the last update of the Articles of Association was on 12 October 2022.
A.2.	Provisions for the management of conflict of interest should be included in the Board regulation.	YES	Such provisions are mentioned in ELSA's CGC, in the Articles of Association, in the Code of Ethics and Professional Conduct, and in the BoD organization and functioning regulation. The current version of the Code of Ethics and Professional Conduct entered into force on 1 January 2022 and is available on the company's website in the section *Investors -> Corporate Governance -> Corporate policies and other documents*
A.3.	The Board of Directors must consist of at least five members.	YES	ELSA's BoD consists of seven members since 14 December 2015.

No.	Provisions of the BSE Corporate Governance Code	Compliance YES/NO/ PARTIALLY	Other remarks
A.4.	The majority of the members of the Board of Directors must have no executive function. In the case of Premium Companies no less than two non-executive members of the Board of Directors should be independent. Each independent member of the Board of Directors should submit a declaration at the time of its nomination for election or re-election as well as when any change in its status occurs, indicating the elements on the basis of which it is considered independent in terms of its character and judgement and according to the following criteria: A.4.1. is not the General Manager/Executive Director of the company or a company controlled by it and has not held such a position for the past five (5) years; A.4.2. is not an employee of the company or a company controlled by it and has not held such a position for the past five (5) years; A.4.3. does not and did not receive additional remuneration or other advantages from the company or from a company controlled by it, other than those corresponding to the quality of a non-executive director; A.4.4. is not or has not been an employee or has not had a contractual relationship, during the previous year, with a significant shareholder of the company, shareholder who controls more than 10% of voting rights or with a company controlled by him; A.4.5. does not have and did not have in the previous year a business or professional relationship with the company or with a company controlled by it, either directly or as a customer, partner, shareholder, member of the Board/Administrator, General Manger/ Executive Director or employee of a company if, by its substantial nature, this report may affect its objectivity; A.4.6. is not and has not been for the last three years the external or internal auditor or partner or associate employee of the current external financial or internal auditor of the company or a company controlled by it; A.4.7. is not the general manager/executive director of another company where another general manger/executive director of the company is a non-executive director; A.4.8. has not been a non-executive director of the company for more than twelve years; A.4.9. has no family ties to a person in the situations mentioned in points A.4.1. and A.4.4.	YES	All the members of ELSA's BoD are non-executive. According to the Articles of Association, at least four out of seven members must be independent. The independence criteria stipulated in the Articles of Association are similar and even more restrictive than those in the BSE's Corporate Governance Code. Currently, four out of seven members are independent. All independent members submitted a declaration of independence, at the time of their appointment by the OGMS.
A.5.	Other relatively permanent professional commitments and obligations of a Board member, including executive and non-executive Board positions in companies and not-for-profit institutions, must be disclosed to shareholders and potential investors before appointment and during his/her term of office.	YES	The professional background of the proposed candidates, as well as of the current Board members are available on ELSA's website in the *Investors > General Meeting of Shareholders* section. Their biographies contain all the relevant information requested by this provision of the Code. The updated biographies of each member of the Board are presented annually in the Directors' Report and on the company's website in the section *Investors > Corporate Governance > Board of Directors.*
A.6.	Any member of the Board should submit to the Board information on any relationship with a shareholder who holds, directly or indirectly, shares representing more than 5% of all voting rights.	YES	When a Board member has entered into a relation with a shareholder who directly or indirectly holds shares representing more than 5% of all voting rights, he/she promptly informed the entire Board.
A.7.	The company should appoint a Board secretary responsible for supporting the Board's work.	YES	The company has established the General Secretary Department, which is directly subordinated to the Board of Directors.

No.	Provisions of the BSE Corporate Governance Code	Compliance YES/NO/ PARTIALLY	Other remarks
A.8.	The corporate governance statement will inform whether an evaluation of the Board has taken place under the leadership of the chair or the nomination committee and, if so, will summarize the key measures and changes resulting from it. The company should have a policy/guide regarding the evaluation of the Board including the purpose, criteria and frequency of the evaluation process.	YES	This provision was applied starting with 2015, the BoD carrying out an annual assessment process of its activity with the support of an external consultant (in 2015, 2017, 2020 and 2022), or using a self-assessment questionnaire (in 2016, 2018, 2019 and 2021) More details are provided in the 2015-2017 Annual Reports in *chapters 6.1 and 6.2*, for 2018 and 2019, 2020, 2021 and 2022 in *chapter 4.5*.
A.9.	The corporate governance statement must contain information on the number of meetings of the Board and committees during the last year, directors' attendance (in person or absent) and a report of the Board and committees on their activities.	YES	Details regarding the compliance with this provision are presented in the Annual Report, in the Corporate governance chapter. For 2022, please see *chapter 4.5*.
A. 10.	The corporate governance statement must contain information on the exact number of the independent members of the Board of Directors.	YES	Four out of seven members of the BoD are independent and this is specified in the Annual Report. More details are provided in the Annual Reports for *2021 in chapter 4.4*. On ELSA's website, in the section *Investors > Corporate Governance > Board of Directors*, it is specified exactly which members are independent.
A. 11.	The Board of Premium Companies must set up a nomination committee of non-executive members that will lead the procedure of nomination of new members to the Board and will make recommendations to the Board on the appointment and the revocation of the Chief Executive Officer and the management team. The majority of the members of the nomination committee must be independent.	YES	The Articles of Association and ELSA's CGC highlight the existence of this committee (Nomination and Remuneration Committee - NRC), its members and responsibilities. The NRC composition is reviewed annually, in accordance with the NRC organization and functioning regulation (Charter) and at the beginning of each new mandate of a new member of the BoD. In May 2021, its structure was revised according to the changes that occurred in the board structure. According to the NRC's Charter, in December 2021 the current structure of the NRC was established, two of the members being independent, and in December 2022 the decision was made to maintain the same structure until December 2023. Details regarding the NRC structure are presented in *chapter 4.4.*
Section B	**Risk management and internal control system**		
B.1.	The Board must set up an audit committee in which at least one member must be an independent non-executive director. A majority of members, including the chairman, must have proven that they are adequately qualified relevant to the functions and responsibilities of the committee. At least one memberof the audit committee must have proven and appropriate audit or accounting experience. In the case of Premium Companies, the audit committee must consist of at least three members and the majority of the audit committee must be independent.	YES	The Articles of Association and ELSA's CGC highlight the existence of this committee (Audit and Risk Committee - ARC), its structure and responsibilities. The ARC structure is reviewed annually, according to ARC Charter and at the beginning of each new mandate of the BoD. In May 2021, its structure was revised according to changes in the BoD structure. In accordance with the ARC Charter, the current composition of the ARC was voted in December 2021, in which two of the members are independent, and in December 2022 the decision was made to maintain the same structure until December 2023. Details are presented in *chapter 4.4.*
B.2.	The chairman of the audit committee must be an independent non-executive member.	YES	On the 6 May 2021 and subsequently, on 15 December 2021 and on 20 December 2022, Mr. Radu Mircea Florescu, independent non-executive board member was elected and respectively re-elected as Chairman of the Audit and Risk Committee.

No.	Provisions of the BSE Corporate Governance Code	Compliance YES/NO/ PARTIALLY	Other remarks
B.3.	Among its responsibilities, the audit committee must carry out an annual assessment of the internal control system.	YES	According to the organization and functioning regulation, the Audit and Risk Committee (ARC) has the following responsibilities on internal control issues: (i) regularly review the adequacy and implementation of key internal control policies, including fraud detection and bribery prevention policies; (ii) reviewing related parties transactions in accordance with a policy developed by the Committee and approved by the Board; (iii) analysis of the annual report prepared by the Internal Audit Department and/or Risk Management Department assessing the effectiveness of the internal control system within the Group.
B.4.	The assessment must consider the effectiveness and purpose of the internal audit function, the adequacy of risk management and internal control reports submitted to the audit committee of the Board, the promptness and effectiveness with which the executive management solves the deficiencies or weaknesses identified as a result of the internal control and the submission of relevant reports to the Board's attention.	YES	Such reports are annually presented. The assessment report for 2022 specified in the CGC was presented and discussed by the Audit and Risk Committee in the meeting on 28 February 2023.
B.5.	The audit committee must assess conflicts of interests in connection with the transactions of the company and its subsidiaries with related parties.	YES	The assessment is carried out annually. The assessment report for 2022 specified in the CGC will be presented and discussed by the Audit and Risk Committee during at its meeting on 24 March 2023.
B.6.	The audit committee must assess the effectiveness of the internal control system and risk management system.	YES	The ARC has at least the following responsibilities on risk management issues: (i) regularly review of the main risks to which the company and the Group are exposed, recommending to the Board appropriate policies for identifying, mapping, management and risk reduction; (ii) annual analysis of a management report that assesses the effectiveness of the risk management system within the Group. Based on the ARC Charter's provisions, the evaluation report for the year 2022 was presented and discussed by the Audit and Risk Committee at its meeting on 27 February 2023. Details regarding the ARC activity for year 2022 are presented in *chapter 4.5* of the Annual Report.
B.7.	The audit committee must monitor the application of legal standards and generally accepted internal audit standards. The audit committee must receive and assess the reports of the internal audit team.	YES	The ARC has the following responsibilities on internal audit issues: (i) approval of an annual audit plan at Group level, based on an annual risk assessment, as well as any significant changes to the plan and receipt of periodic reports on activities, key findings and follow up of internal audit reports; (ii) advising the Board on the appointment, revocation and remuneration of the Head of Internal Audit Department; (iii) monitoring the adequacy, effectiveness, and independence of the internal audit function. Details regarding the ARC activity are presented in *chapter 4.5* of the Annual Report.
B.8.	Whenever the Code mentions reports or analysis initiated by the Audit Committee, these must be followed by regular (at least annual) or ad-hoc reports to be submitted to the Board afterwards.	YES	ARC reports periodically to the BoD.

No.	Provisions of the BSE Corporate Governance Code	Compliance YES/NO/ PARTIALLY	Other remarks
B.9.	No shareholder may be granted preferential treatment over other shareholders with regards to transactions and agreements concluded by the company with shareholders and their related parties.	YES	Provisions on this matter are included in ELSA's CGC and in the Policy on Transactions with Related Parties.
B. 10.	The Board must adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relations whose value is equal to or more than 5% of the net assets of the company (according to the latest financial report), is approved by the Board following a mandatory opinion of the Board's audit committee and fairly disclosed to shareholders and potential investors, to the extent that these transactions fall under the category of events subject to reporting requirements.	YES	The Policy regarding the transactions with Related Parties, has been updated in July 2020 and covers all the required aspects.
B. 11.	Internal audits must be carried out by a separate structural division (internal audit department) within the company or by hiring an independent third-party entity.	YES	The internal audit is carried out by the Internal Audit Department, a structurally separate entity.
B. 12.	In order to ensure the performance of the main functions of the internal audit department, it must report functionally to the Board through the audit committee. For administrative purposes and within the framework of management's obligations to monitor and reduce risks it must report directly to the chief executive officer.	YES	The Internal Audit Department reports functionally to the BoD through the ARC, while administratively reports to the CEO.
Section C	**Fair rewards and motivation**		
C.1.	The company must publish on its website the remuneration policy, and include in its annual report a statement of the remuneration policy during the annual period under review. The remuneration policy must be formulated in such a way as to allow shareholders to understand the principles and arguments underlying the remuneration of the members of the Board and the CEO, as well as the members of the Management Board in two-tier board systems. It should describe how the process is managed and decision-making on remuneration, detail the components of executive management remuneration (such as salaries, annual bonus, long term incentives related to the value of shares, benefits in kind, pensions, and others) and describe the purpose, principles and assumptions underlying each component (including general performance criteria for any form of variable remuneration). In addition, the remuneration policy must specify the duration of the executive manager's contract and the notice period provided for in the contract as well as any compensation for revocation without just cause. The remuneration report must present the implementation of the remuneration policy for the persons identified in the remuneration policy during the annual period under review. Any essential change in the remuneration policy must be published in a timely manner on the company's website.	YES	In accordance with Law 24/2017, as amended and subsequently supplemented by Law no. 158/2020 (Art.92 ^ 1),on 28 April 2021, ELSA GMS approved the updated Remuneration Policy for Directors and Executive Managers, in which all the aspects stipulated by this statement are detailed. This policy was subsequently updated and approved by the OGMS on 20 April 2022. The Remuneration Policy for Directors and Executive Managers is available on ELSA website, under *Investors > Corporate Governance > Corporate Policies and other documents.* In previous years, issues related to the implementation of the Remuneration Policy were presented in the annual report. For the year 2021 ELSA has prepared a report on the remuneration of the administrators and executive directors to be submitted to the consultative vote of the ELSA GMS, according to the applicable legislative provisions. Also, for 2022, this report will be submitted for the consultative vote of the OGMS on 27 April 2023.
Section D	**Building value through investors' relations**		

No.	Provisions of the BSE Corporate Governance Code	Compliance YES/NO/ PARTIALLY	Other remarks
D.1.	The company must have an Investor Relations function – indicating to the public the person(s) responsible or the organizational unit. In addition to the information required by legal provisions, the company must include on its website a section dedicated to Investor Relations, both in Romanian and English, with all relevant information of interest to investors, including: D.1.1. Main corporate regulations: the articles of association, the procedures regarding the general meetings of shareholders. D.1.2. Professional CVs of members of the company's management bodies, other professional commitments of the board members, including executive and non-executive positions on board of directors of companies or non-profit institutions D.1.3. Current and periodic reports (quarterly, semi - annual and annual reports); D.1.4. Information related to general meetings of shareholders; D.1.5. Information on corporate events; D.1.6. The name and contact details of a person who should be able to provide relevant information upon request; D.1.7. Corporate presentations (e.g. investors presentations, quarterly results presentations, etc.), financial statements (quarterly, semi - annual, annual), audit reports and annual reports.	YES	The company has both an Investor Relations department and a section dedicated to Investor Relations on its website (in both Romanian and English). All relevant information for investors is published under the *Investors* section on ELSA's website. Electrica was appreciated for the second consecutive year in 2022 with the maximum grade in the Vektor evaluation, Vektor being the indicator of the communication with investors for listed companies
D.2.	The company will have a policy on the annual distribution of dividends or other benefits to shareholders, proposed by the CEO or the Management Board and adopted by the Board, in the form of a set of guidelines that the company intends to follow regarding the distribution of net profit. The principles of the annual distribution policy to shareholders will be published on the company's website.	YES	The BoD last revised the Dividends Policy at its meeting on 24 May 2022. It is published on ELSA's website, in the *Investors > Corporate Governance > Corporate Policies and other documents* section.
D.3.	The company will adopt a policy regarding the forecasts, whether they are made public or not. The forecasts refer to quantified conclusions of studies aimed at determining the overall impact of a number of factors for a future period (so called assumptions): by its nature, this projection has a high level of uncertainty, the actual results may differ significantly from the forecasts initially presented. The forecast policy will determine the frequency, period envisaged and the content of the forecasts. Forecasts, if published, may only be part of annual, semi -annual or quarterly reports. The forecast policy should be published on the company's website.	YES	The BoD last revised the Forecasts Policy in its meeting on 14 February 2018. It is published on ELSA website, in the *Investors > Corporate Governance > Corporate Policies and other documents* section.
D.4.	The rules of general meetings of shareholders should not limit the participation of shareholders in general meetings and the exercise of their rights. Changes to the rules will take effect at the earliest, starting with the next general meeting of shareholders	YES	ELSA rules and procedures that establish the framework for the organization and conduct of general meetings of shareholders are part of ELSA's Policy on organizing and running the General Meetings of Shareholders, available from the beginning of 2020 and in its nmost updated form from August 2020, in electronic form on ELSA website in the section *Investors > Corporate Governance > Corporate Policies and other documents.* Also, the rules of general meetings of shareholders are mentioned in each convening notice, published in accordance with the legal and statutory requirements approximately 45 days before each meeting. Additionally, to falicitate the non-discriminatory participation of all shareholders to the GMS meetings, including remotely,, Electrica implemented, starting with 2022, a platform for participating and voting online for the GMS (for the shareholders that are present in the meeting room or remotely, through electronic means), system already used in June and October 2022.

No.	Provisions of the BSE Corporate Governance Code	Compliance YES/NO/ PARTIALLY	Other remarks
D.5.	The external auditors should attend the general meetings of shareholders when their reports are presented.	YES	External auditors attend each OGMS in which the financial situations and annual reports are approved.
D.6.	The Board will present to the annual general meeting of shareholders a brief assessment of the systems of internal control and significant risks management, as well as opinions on issues subject to the decision of the general meeting.	YES	The directors' annual report, presented to the annual general meeting of shareholders together with the financial statements, contains the BoD's assessments on the systems of internal controls and significant risk management. As a practice, all the documents subject of the GSM approval are endorsed by the BoD; this is clearly stated in the documents presented to the shareholders.
D.7.	Any professional, consultant, expert or financial analyst may attend the shareholders' meeting on the bases of a prior invitation from the Board. Accredited journalists may also attend the general meeting of shareholders, unless the Chair of the Board decides otherwise.	YES	In this respect, the agreement of the shareholders present at the General Meetings was requested each time it was the case.
D.8.	The quarterly and semi-annual financial reports will include information in both Romanian and English on key factors influencing changes in sales levels, operating profit, net profit and other relevant financial indicators, both from quarter to quarter as well as from one year to another.	YES	The quarterly and half-yearly financial reports can be consulted on the company›s website in the section *Investors> Results and Reports> Financial results* and fulfil all the requirements.
D.9.	A company will hold at least two meetings/ teleconferences with analysts and investors each year. The information presented on these occasions will be published in the investor relations section of the company's website at the date of the meetings/teleconferences.	YES	ELSA organizes quarterly teleconferences with analysts and investors and publishes presentations and audio recordings of the teleconference on the ELSA website, in the section *Investors > Results and Reports > Presentations and other information*.
D. 10.	If a company supports different forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers that their impact on the innovative character and competitiveness of the company part of its mission and development strategy, it will publish the policy regarding its activity in this area.	YES	Information regarding the CSR activities can be found online on the company's website, in the CSR section. The projects and activities supported each year are presented in ELSA's annual Sustainability Reports, available on the ELSA website, in the section *CSR > Non-financial Reporting.*

Source: Electrica

4.9. Implementing action plans undertaken by signing the framework agreement with EBRD

The company's initial public offering and dual listing process involved the signing of a framework agreement with the European Bank for Reconstruction and Development (EBRD), which includes action plans aiming at key dimensions for the company's transformation: developing a culture of integrity and compliance, adopting best practices regarding corporate governance and incorporating the sustainability principles at Group level.

As for the development of a culture of integrity and compliance at Electrica Group level, in line with the EBRD standards, the year 2022 meant maintaining the compliance framework from an ethical perspective and updating it in accordance with the evolutions of the social and legal context in which the organization operates, through concerted actions on the following main directions:

- maintaining the organizational structures dedicated to ethics and compliance;
- adopting The Policy of preventing, combating and sanctioning any form of harassment in the workplace;
- monitoring the compliance in relation to the framework defined by the *Code of Ethics and Professional Conduct* and subsequent policies and procedures.

Having mainly a preventive role in relation to the risks to which the organization is exposed, compliance adds value to each business, but in order to be effective, the compliance framework must be adapted to the organization transformations and to be aligned permanently with legislative changes, external environment trends and business ethics' best practices.

The information and awareness activities regarding the provisions of the compliance framework from the ethical perspective of the organization's staff were carried out exclusively through the online environment, due to the restrictions generated by the existing health situation.

Regarding the organizational structures dedicated to ethics and compliance, these exist at each company level from the Group.

The action plan regarding corporate governance

The implementation of the Corporate Governance Action Plan, assumed as part of the Framework Agreement with EBRD, has been considered since the IPO and the company's listing. The standards and measures it envisaged have been implemented, maintained and continuously monitored.

Selection of independent directors

The EBRD guidelines were included in ELSA's Articles of Association adopted on 4 July 2014, being maintained in the context of increasing the total number of directors from five to seven, by adopting the Extraordinary General Meeting of Shareholders decision from 10 November 2015; out of the seven directors, four must meet the independence criteria.

For details about ELSA's Board of Directors, its members and the election of its members, please see *chapter 4.4.*

Nomination and Remuneration Policies

ELSA uses nomination and remuneration principles in accordance with best practices for the appointment and remuneration of directors and executive management. In this respect, the Profile of the Board of Directors and the Policy for recruiting and nomination of the candidates for executive management were elaborated.

The remuneration policy for directors and executives of ELSA (Policy) is reviewed periodically by the nomination and remuneration Committee and describes the main pillars of remuneration as well as the terms, conditions and non-financial benefits approved by ELSA's corporate bodies.

As a result of the change of the European and national legal framework, according to the European Directive no. 828/2017, transposed into national legislation by Law no. 24/2017, as it was subsequently amended and supplemented by Law no. 158/2020 (Art.92^1). The Policy was revised and approved at the ordinary General meeting of shareholders (OGMS), presenting transparently the elements of fixed and variable remuneration, including financial and non-financial benefits, in any form, that may be granted to Directors.

The last policy review was approved at the ordinary General meeting of shareholders (OGMS) Electrica on 20 April 2022, without any changes to the remuneration limits previously established by the GMS for directors and executive directors.

Starting with 2022, the Company has prepared and published the remuneration Report for Directors and Executive Directors 2021, in accordance with the provisions of Law 24/2017 on issuers of Financial instruments and market operations. The Report was approved at the ordinary General meeting of shareholders (OGMS) Electrica on 20 April (https://www.electrica.ro/en/investors/results-and-reports/), with the aim of presenting an overview of the remuneration and benefits granted and/or owed during the last financial year, to the managers individually, including the newly recruited and former managers in accordance with the Company's Policy.

For details regarding the remuneration of the Board members and of the executive management of ELSA, please see *chapter 4.7.*

Advisory Committees of the Board of Directors

In order to increase the effectiveness of its activity, ELSA's Board of Directors has established the following committees with advisory role: the Nomination and Remuneration Committee, the Audit and Risk Committee and the Strategy and Corporate Governance Committee. For details, please see *chapter 4.5.*

Internal Control and Audit Framework

During 2022, the documentation governing the internal audit activity at Electrica Group level approved in November 2019 was maintained and applied. This documentation was approved in its first version by the BoD at the beginning of 2015 and includes the Internal Audit Charter, the Audit Manual and the Auditor's Code of Ethics, its last update dating from 2019. The documents are available on ELSA's website in the section *The group > Internal Audit*. For details about the internal audit please see *chapter 4. 10.* and for more details on the internal control, please see *chapter 6. 10.*

ELSA's Articles of Association

EBRD guidelines were included in the Articles of Association of ELSA adopted on 4 July 2014.

In 2022, ELSA's Articles of Association were updated according to ELSA Board of Directors' decisions from 12 October 2022. All versions of the ELSA Articles of Association adopted since the listing of the company are available on its website in the section *The group > About > Articles of Association*.

Clear lines of competence and responsibility

To define the reporting system and to set responsibilities and competences at the level of the group and its' companies, ELSA and its subsidiaries carried out projects for processes' mapping both in distribution and in supply areas, benefiting from external consultancy in this regard. In the context of the 2018 – 2020 organizational transformation, the applicable procedural framework, and the documentation of the Quality – Environment - OHS Integrated Management Systems implemented at each Group company level have been fully revised, maintaining their certifications in accordance with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 following the audit performed during 2020 by the SRAC CERT certification body, IQNet affiliate.

Code of Conduct

EBRD requirements are covered by the Code of Ethics and professional Conduct. Regarding the Whistleblowing Policy, it has been updated and is available on the company's website.

During 2022, follow-up actions were carried out in relation to the provisions of the Code at group level, after it was disseminated and implemented in its new version within the Group.

Compliance with BSE Corporate Governance Code

On 4 January 2016, the new BSE Corporate Governance Code entered into force and, on this occasion, ELSA published on 8 January 2016 the "Corporate Governance Code Apply or Explain" statement according to the new provisions. ELSA publishes the updated statement yearly and reports promptly to the capital market any update of its compliance.

On its turn, ELSA adopted its own Corporate Governance Code since the beginning of 2015, its last update being approved by the BoD on 23 June 2020. This version, as well as the policies and other corporate documents referred to by the Corporate Governance Code of ELSA are available on the company's website in the *Investors > Corporate Governance* section (https://www.electrica.ro/en/investors/corporate-governance/). For details, please consider *chapters 4.8 and 4.1.*

At the same time, at the level of the Electrica Group, a *Market Abuse Policy* was developed, adopted by all subsidiaries.

The Environmental and Social Action Plan (ESAP)

During 2022 the Environmental and Social Action Plan was updated by SAP as part of the Loan Agreement signed by DEER with EBRD and guaranteed by Electrica S.A. for financing DEER's CAPEX Plan 2021 – 2023. The revised ESAP includes the following actions, their status of implementation being also mentioned in the following section.

Organogram of EHS management structure and update certification

Develop an organogram presenting the EHS management structure from Group-level management, to County-level implementation within DEER. Make this accessible on the Group intranet portal, alongside the existing E&S Policy, under their management systems page and shared with all staff.

During 2022, DEER's organizational structure provided the OSH Department with OSH offices at the level of each area, as well as quality Management and Environment Service.

It is necessary to obtain certification of the environmental management system in accordance with the ISO14001 standard, following the integration of the systems of the 3 DSOs that have merged.

Certification of DEER's environmental management system in accordance with ISO 14001:2015 was obtained in April 2021. The company has maintained its certification according to the requirements of the ISO 14001:2015 and ISO 45001:2018 reference standards, granted by the external certification body SRAC Cert.

Project-Specific Risk Assessments

Development and implementation of a standardized instrument for the assessment of social and environmental risks (methodology) and its application for the categories of works/works included in the CAPEX Plan 2021-2023.

Social, environmental and SSM risks, as well as mitigation measures are included in DEER technical projects for investment works, a methodology being developed to ensure a unitary approach across all technical projects.

Environmental impact studies

Continue to implement the legal requirements in the field of environment regarding the impact assessment for the investment projects included in the CAPEX Plan. If DEER is to develop and implement impact assessments under national legislation for investment projects targeting certain installations, which are not initially foreseen (including cutting protected tree species), they must be developed according to EU standards.

The EBRD will be informed about the environmental impact studies related to investment projects carried out at the level of DEER by sending the post link on their website.

The inclusion in the Electrica Group's Annual Sustainability Report of a summary of environmental impact studies with reference to non-technical summaries for CAPEX investment projects posted on DEER's website.

No Environmental impact Studies were required under Law 292/2018 Annex 5E for the development of the distribution infrastructure included in DEER Investment Plan until now.

Permits

DEER will ensure that it obtains all necessary authorizations/certificates from the Ministry of Culture, as well as environmental ones from local authorities with competence in the field, according to the Urban planning Certificate for the investment projects carried out.

All the necessary authorizations/certificates according to the Urban planning Certificate were obtained for all the investment projects included in the CAPEX Plan at DEER level.

Obtaining the building permit is conditioned by obtaining all the approvals required in the Urban planning Certificate.

Stunting environmental and social requirements

Environmental management plans for the works must be developed by contractors before starting work, based on the risk assessments carried out at the level of Electrica group and the specific instructions of the group companies. These plans must be stunned by the contractor (general contractor) to all sub-contractors.

Technical projects including the section on social, environmental and SSM risks and measures to reduce them are part of the contract signed with contractors and are binding on them and their subcontractors.

Ensuring the accommodation of workers

Check the accommodation conditions provided to workers who cannot return home daily (where relevant), ensuring it at an adequate level of quality and in accordance with the EBRD/IFC guidelines.

The accommodation conditions for its staff are checked and controlled at the time of the accommodation, and DEER will review the procedure on the SSM line control to include the check of the accommodation conditions in the control actions for the contracted investment works.

Gender-based violence and harassment Policy (GBVH)

Update the Code of Ethics and Professional Conduct to include a gender-based violence and harassment Policy (GBVH Policy) aligned with international best practices.

The policy on preventing, combating and sanctioning any forms of harassment in the workplace was adopted by ELSA and DEER, being being in the process of adoption at the level of the other companies within the Electrica Group. The Code of Ethics and Professional Conduct has been updated to include references to this new policy.

Restructuring with reduced personnel

The company will develop and maintain provisions on personnel reduction (collective/ individual redundancies) in the collective Labour Agreement and will plan restructuring initiatives in alignment with the EBRD guidelines in the field, so as to minimize the social and economic impact of staff reductions, if necessary. These initiatives will be designed in accordance with good practice and in compliance with national law. The Company shall inform the Bank of any major restructuring (more than 500 affected employees) and shall submit a plan for tarting/reducing the impact at least 1 month before the CIM is terminated. Restructuring programs that will affect more than 100 employees, but less than 500 employees will be presented in the Annual Report.

The provisions on restructuring/reorganization with reduced staff at group level are included in the collective labor contract signed with the trade unions and renegotiated every two years.

Given the evolution of financial and operational performance recorded in recent years, but also the transformations and trends in the energy sector, in the first part of 2022 a reorganization plan was developed as a necessary and appropriate measure of adaptation to the current market context, strongly affected by the energy market crisis and, subsequently, by external events in the new geopolitical context that indirectly affect the national economic context. These measures have led to the simplification of hierarchical structures and the reduction of a number of 32 positions (mainly management), by abolishing for reasons not related to the employee's person and a number of 19 employees have left the organization following the collective dismissal process.

Analysis of greenhouse gas emissions

Elaboration of a study on greenhouse gas emissions (GHG) at the level of the operations of the Electrica Group and identification of areas with potential to reduce emissions, with the publication of the results in the Sustainability Report of the Electrica Group for 2021. Annual overview of the state of implementation of the measures and progress made in reducing emissions in the Sustainability Report.

The project on determining the level of greenhouse gas emissions (GHG) for the activities of the Electrica Group and identifying areas with potential to reduce emissions has been developed at the level of each company in the group and its implementation will be started at the beginning of 2023. The results were published in the Sustainability Report of the Electrica Group for year 2021.

At DEER level, the carbon Footprint Action Plan for 2023 has been developed.

Energy management

Implementation and certification of the Energy Management System, in accordance with the requirements of ISO 50001 standard at the level of the Electrica Group.

The implementation of the Energy Management System at DEER level is foreseen after the completion of the organizational transformation project following the merger of distribution operators, so that the certification will be obtained in 2024.

PCBs

Continuation at DEER level of the program to eliminate PCBs (polychlorinated biphenyls) from electrical installations in operation, the deadline for complete disposal being 2028, with annual reporting to the EBRD.

The process of removing PCBs (polychlorinated biphenyls) from electrical installations in operation continued throughout 2022, which ensures the company's comfort in implementing the national disposal program within the set deadline (2028), according to GD 1497/2008. A total of 351 pieces were removed from operation in 2022, thus reaching a total of 1489 pieces of PCB capacitors in operation at the end of 2022. The process is monitored annually based on reports, the results being published in the Sustainability Report of the Electrica Group.

Health and Safety System and Policy

Maintaining the certification of the SSO Management System according to ISO 45001:2018 for DEER. Revision of OSH policy

The certification of the occupational safety and health management system in accordance with the ISO 45001:2018 standard was maintained at DEER level in 2022, without any major non-conformities from the external certification body SRAC CERT. The policy statement was revised to capture the integrated approach following the merger of the OD since the first quarter of 2021.

In 2022 the Policy statement on the integrated System quality, Environment, Health and Safety at work was approved according to HCM 03/02 February 2022.

Asbestos

Carrying out a study on asbestos-containing materials for the targeted transformation stations (by the CAPEX Plan) and developing an *asbestos management plan* for the locations included in the CAPEX Plan, in order to facilitate a comprehensive investigation, DEER must also ensure that, all electrical equipment is insulated and safe during the study. Waste management procedures during investment works documented by environmental management plans during work should include preventive measures/approaches to situations where asbestos is identified during work and should comply with the asbestos Management Plan. Maintain a plan to assess and eliminate asbestos risk.

DEER continued to monitor the state of degradation of the asbestos-cement coating for the posts, transformation stations and administrative buildings, being replaced with other materials by third-party companies during the restoration/modernization works.

Community Health & Safety

After the implementation of the CAPEX Plan, the distribution infrastructure must be inspected periodically to verify that the equipment is properly installed and that the elements that ensure the protection of the community (for example, when electrocution) are functional/applied as part of the infrastructure maintenance plan. Any unprotected equipment that could cause damage to the local community must be reported and repaired/replaced.

During the implementation of the maintenance Plan, DEER teams constantly check the distribution infrastructure to ensure that the equipment is properly installed and that the elements that ensure the protection of the community (for example, when it comes to electrocution) are functional/applied. Any situation where it is found that there is unprotected equipment that could cause damage to local communities is immediately remedied.

Working at Height and Lockout/Grounding Instruction

Ensuring that the SSM documentation providing rules for the voltage removal and ensuring the working area for electricity distribution networks and installations complies with the regulations in force at national level. Completion of the electrical separation and working at height instruction/instructions.

The SSM instructions on the de-voltage and the provision of the working area for networks and distribution installations, as well as on working at height, are in force and comply with national regulations.

Visual Impacts

Assessing the visual impact for new networks in the design phase and establishing mitigation measures, e.g. moving lines underground, changing routes by taking into account local communities' perception of their construction (through environmental and social management plans) in compliance with national legislation in this field.

At the design stage DEER adopts technical solutions taking into account the visual impact of its future distribution installations (replacement of overhead power lines with underground cables), in accordance with the applicable legal provisions, especially at the community level.

Emergency Preparedness and Response

Checking the emergency plans and ensuring the endowment of all locations with extinguishers within the validity term, in accordance with the provisions of the legislation in force.

For all locations owned by DEER, there are defined fire prevention plans. Preventive measures are implemented and consist of: Control of compliance with legal regulations by own authorized personnel; regular entry for all categories of employees, in accordance with the approved annual training programs; evacuation and intervention exercises in case of emergency situations; maintenance of fire prevention and extinguishing equipment and facilities for each location with authorized providers; maintenance of unobstructed access on evacuation routes; additional actions to prevent fires for the hot and cold season.

Noise monitoring

Monitoring the noise level for areas with high sensitivity (residential, hospitals, schools) that claim the noise level generated by DEER equipment and establishing and implementing mitigation/ reduction measures, if necessary (if measurements indicate overruns of the legislated level).

A new environmental control instruction, including noise monitoring activity for DEER installations, has been developed and approved at company level.

In 2022, sonometers were purchased for all regional structures. According to Annex 1.1 of the DEER –I 3 – PS – 6.1 – F01 instruction for 2023, noise measurements were planned for areas with high sensitivity.

Electromagnetic Fields

Continue monitoring potential impacts from electromagnetic fields (EMF) from transformer stations and transmission lines in compliance with National legislation with respect to EMF.

There are studies on electromagnetic fields for the distribution infrastructure of DEER indicating that they are within the limits of national legislation. DEER analyzes options for including electromagnetic field measurements for new installations in the commissioning process and for independent studies.

Land Acquisition Framework

If it will be necessary to purchase land for the implementation of the CAPEX Program, a document will be developed to define the Land acquisition Framework (LAF), which will present the Electrica policy on fair compensation and compliance of the procurement process with the relevant national legislation and RP5. It will ensure compliance with this framework for installations part of the CAPEX program.

No new land surveys were required for the development of the distribution infrastructure that is the subject of the Investment Plan so far.

Bird death monitoring

Develop and implement a system for monitoring mortality among birds due to their collision with LEA, providing annual estimates of mortality. The monitoring will be done by on-site trips with search on the ground.

DEER has developed an instruction on bird mortality monitoring based on SCADA system alerts and field trips to identify carcasses, which is under approval.

According to Annex 1 of the DEER-I-5-PS-6.1.2 Instruction for 2022, the "Register for monitoring the mortality of birds following interaction with electrical installations" was developed.

Avoiding and mitigating against bird deaths

The continuation of the replacement of the lines with classical (uninsulated) conductor with twisted (insulated) conductors, within the investment projects carried out in areas with significant activity of birds, defined by the relevant NGOs and environmental authorities. It will continue the installation of stork nests on the low and medium voltage LEA poles and the installation of electoinsulating sheaths to protect all these species that have their habitats in DEER activity areas. Mapping sensitive areas from a biodiversity perspective. If necessary, bird markers shall be used and the risk of electric shock of birds shall be reduced by a suitable design of the insulation of electrical installations. It will be considered for all new or modernized LEA to have safety elements that will lead to the avoidance of mortality among birds.

In the design phase for new networks or the modernization of existing electrical networks, DEER adopts technical solutions designed to ensure the protection of biodiversity and considers the replacement of overhead lines with underground lines, of non-insulated conductors with twisted conductor, the installation of insulating sheaths. Technical guidelines are being developed to ensure a unified approach to the design of power grids at DEER level, which will include standardized measures for bird protection.

The procedure for random discoveries (cultural values)

Adoption of a **Protocol on random discoveries** in order to identify and effectively manage any discoveries with cultural value that occurred during the implementation of the projects. This protocol should define the internal communication/escalation chain, the notification of relevant institutions with regard to discovered objects/sites, the information of the personnel involved in the projects on the possibility of such discoveries and the way of surrounding the area in order to protect against destruction or alteration of the discoveries, where necessary. The protocol will be aligned with the rules for the application of Law 50/1991 on the authorization of construction works.

The accidental Discovery Protocol is part of all DEER contracts as a separate section/clause. The section/clause of the contract that refers to it will be published on DEER website by the end of the first quarter of 2022.

Update Stakeholder Engagement Policy (SEP)

Updating the engagement methods used in accordance with the policy in order to align with what is actually done and developing the section on complaints and integrity warnings.

In the context of specific legislation transposing EU unbundling directives, DEER is working toward finalizing its own stakeholder engagement policy involving all relevant departments. The policy will be published on the company's website after obtaining all necessary corporate approvals.

Stakeholder Engagement for the 2021-2023 CAPEX Plan

Development of a stakeholder engagement plan dedicated to the CAPEX Program 2021 – 2023 to ensure that all the necessary involvement/consultation activities are carried out during the implementation of the following projects included in the CAPEX Program financed by the EBRD.

DEER has a stakeholder engagement plan, and the Investment Plan section will be presented on DEER website.

A unitary mechanism for monitoring complaints/complaints

Development and implementation of a unitary it system at DEER level of registration, analysis, resolution in their legal framework in accordance with the legal requirements (ANRE). The complaints registered directly with DEER will be recognized and resolved in accordance with the regulations in force (ANRE) (between 15 days and 30 days to respond, depending on the nature of the complaint/complaint).

The mechanism for monitoring complaints is defined according to the regulations in force and available on DEER website. Records of complaints and complaints are kept and submitted to ANRE regulator upon request or during the performed controls.

Community Guide to Security

Develop a guide that contains relevant information about the process of electricity distribution. The guide addresses with priority the local communities served by DEER activity and presents details regarding: DEER's emergency procedure for the safe erection of the fallen LEA poles; the activities of involvement of the interested parties and the mechanism for submitting complaints/ complaints; Determination of the levels of electromagnetic fields in transformer and LEA stations and its impact on health; risk related to theft of electricity, etc. Consideration will also be given to the implementation of other mechanisms to raise awareness of the local community about the safety in the use of electricity energy (through the European Commission's "Energy saving" program ("Economie la energie"), for example.

The community guide is included in DEER Communication Strategy and Plan and is intended to be launched by the end of first quarter 2022.

Ensuring reporting in line with the provisions of the EU Directive on non-financial reporting and including in the Sustainability Report relevant information on the climate impact produced in accordance with the Green and Social Taxonomy adopted since 2022.

The Electrica Group publishes its sustainability report annually in accordance with the provisions of the EU Directive on non-financial reporting and will include starting with 2022 relevant information in accordance with the Green and Social Taxonomy.

4.10. Internal audit activity report for 2022

The Internal Audit Department is responsible for conducting risk-based audit missions at Group companies' level.

The Internal Audit Squad performs its activity based on an annual audit plan, which is endorsed by the Audit and Risk Committee, and subsequently approved by the Board of Directors. The 2022 Audit Plan included assurance and operational missions, as well as ad-hoc audit missions started after their validation by the Audit and Risk Committee. The Audit Plan is aligned with the risk register at Group level and prioritizes the main risks identified for the major business areas.

During 2022, assurance audit missions were carried out, as well as various ad-hoc missions on the most important business activities. The audit missions were performed on major projects or events within the Group, but also on Treasury activity, Legal activity and Shares Management. The Audit and Risk Committee together with the Board of Directors analyzed the audit reports regarding the findings identified, as well as the action plans established to remedy them.

Throughout 2022, the Internal Audit Squad team consisted of four internal auditors, out of which one has a management role, two have part time work and one with a full-time work starting with November 2022.

Among the most important audit missions carried out in 2022 are:

1. Evaluation and audit of Treasury activity. The audit report contains 3 findings of which 0 with high impact.
2. Evaluation and audit of Legal activity. The audit report issued contains 1 finding with low impact.
3. Evaluation an audit of Shares Management. The audit report issued doesn`t contain any findings regarding this activity.
4. Three "follow-up" missions were carried out at Group level, which were aimed to identify and monitor the implementation degree of the audit recommendations related to the issued reports.
5. Based on the procedure for analysing whistleblower complaints, 34 warnings were received through the whistleblower system. Out of the total number of warnings received during the year 2022, ELSA Internal Audit Squad analysed 8 warnings received in 2022.

The audit reports are agreed by executive management and further submitted to the Audit and Risk Committee of ELSA, as well as to the Board of Directors. Following the conclusion of the audit engagements and after agreeing the audit recommendations with the responsible persons, the Internal Audit Squad works together with the audited structures in order to draw up the action plans aimed to reduce or eliminate the identified risks.

5 Operating activity of Electrica in 2022

5.1. Operating segments

The operations of each reportable segment are summarized below.

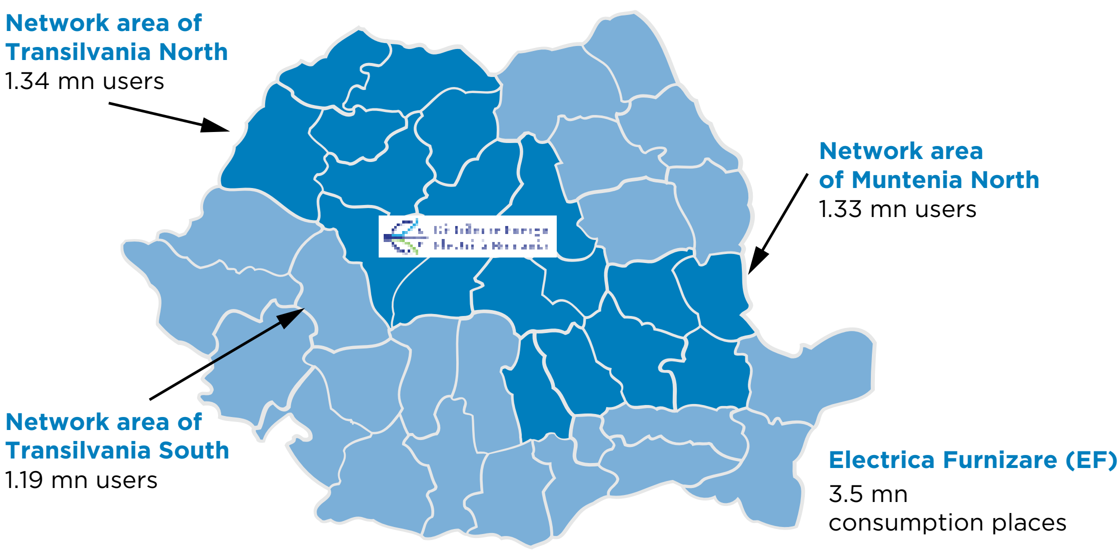
Table 14. Operating segments

Segments	Operations
Electricity and gas supply	Purchasing and supplying electricity and gas to end consumers (EFSA, including the trading and representation activity on the Balancing Market as Balance Responsible Party – BRP)
Electricity distribution	Electricity distribution service (include DEER and activity performed by SERV within distribution segment)
Electricity generation	Production of electricity from renewable sources (photovoltaic panels)
External electricity network services	Repairs, maintenance, and other services for electricity networks owned by other distributors (includes Electrica SERV SA activity without the one mentioned above for the distribution segment)
Headquarters	Includes corporate services at parent level

Source: Electrica

The figure below shows the areas covered by the Group subsidiaries and the number of customers/users they serve.

Figure 26: The geographical coverage of the companies in the Electrica Group in 2022



Source: Electrica

Note: The figure refers to the company's number of consumption places/users at 31 December 2022

DISTRIBUTION SEGMENT

Electrica Group's distribution segment, starting with 1st of January 2021 refers to the activity of DEER (with the following network areas: Transylvania North, Transylvania South and Muntenia North) and SERV.

The electricity distribution segment is a regulated area of activity, in which operations are conducted in a geographically limited area in accordance with the concession agreement, the nature of the services provided, and the specific obligations are stipulated in the license conditions of the concessionaire operator. Thus, the electricity distribution subsidiary of Electrica Group is the energy distribution operator in Transylvania North (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita-Nasaud counties), Transylvania South (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties) and Muntenia North (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties), operating electrical installation with voltages between 0.4 kV and 110 kV.

DEER holds the exclusive electricity distribution license in these regions of network areas valid for the next seven years with an extension clause for another 25 years. Within its service for distribution activity, SERV provides maintenance, repair and various services to group companies (car rental, rental of buildings etc.) as well as repairs and other related services to third parties.

The specific distribution tariffs are determined and approved by ANRE based on the "tariff basket cap" method as set out in ANRE Order no. 169/18 September 2018 regarding the approval of the tariff setting methodology for the electricity distribution service (applicable in the fourth regulatory period 2019 - 2023), with subsequent amendments, and respectively GEO no. 1/15 January 2020 and ANRE Order no. 75/6 May 2020 regarding the establishment of RRR applied to the approval of tariffs for the electricity distribution service.

The regulatory method "tariff basket cap" aims to avoid significant fluctuations in the tariffs applied to the users for electricity distribution. The model for determining the regulated income is based on the principle of remunerating in tariffs the justifiable costs recorded by the distribution system operator, the main source of profit of the distribution company being the rate of return of capital invested in the distribution activity.

The tariffs are adjusted annually, taking into account the operational performance achieved, the quantities of electricity distributed, the quantities and the purchase price of electricity needed to cover network losses (NL), controllable and noncontrollable costs, the change in reactive energy revenues from forecasted values, the depreciation and carrying out expected capitalizable expenses, the changes in actual gross profit from other activities compared to the forecasted one, as well as the corrections in previous periods carried out according to the methodology.

On 31 December 2022, the Group was in a deficit position, estimated at about RON 357 mn. (representing corrections related to the year 2022), which will be recovered through the distribution tariffs of the following years.

The current regulatory period (the fourth regulatory period – RP4) began on 1 January 2019 and will end on 31 December 2023. The rules on RAB and distribution tariffs determination are expected to remain unchanged until the end of 2023. ANRE sets the annual level of distribution tariffs in RON per MWh for each distribution company, respectively on each network area in case of a merged DSO and for each voltage level (high, medium and low). The invoiced tariffs are summed up according to the related voltage level (e.g., the medium voltage tariff includes the high voltage tariff, and the low voltage tariff includes the high voltage and medium voltage tariff).

ANRE determines the regulated annual income required for each year of the regulatory period based on projections submitted by distribution operators in accordance with the methodology requirements, at the beginning of the regulatory period.

The electricity distribution tariffs approved by ANRE starting with 1 April 2022 are as follows (RON/MWh):

Table 15. The electricity distribution tariffs approved by ANRE starting with 1 April 2022

Tariff (RON/MWh)	Applicable starting with 1 April 2022			
	ANRE Order no.	High Voltage	Medium Voltage	Low Voltage
MN	28/23 March 2023	23.35	56.70	175.26
TN		23.77	57.49	144.73
TS		24.63	54.52	158.84

Source: ANRE

SUPPLY SEGMENT

Electrica Group operates on the electricity supply segment through its subsidiary, EFSA, both on the regulated electricity market (as SoLR), and on the competitive market, at a national level. EFSA holds an electricity supply license that covers the entire Romanian territory, extented in 2021 with 10 years. Additionally, holds a license for supplying natural gas, valid until 2032.

The electricity market is split between the regulated market (through suppliers of last resort) and the competitive market. On both markets, electricity can be sold/purchased wholesale or retail.

Last resort supliers market

Currently, EFSA is a supplier of last resort for approximately 2 mn. customers with 1.8 mn consumption places.

Competitive market

In 2022, the trading on the wholesale competitive market is transparent, public, centralized and non-discriminatory and takes place on OPCOM platforms; prices can be freely negotiated by the parties on the competitive retail market. The participants on the wholesale market can trade electricity based on bilateral contracts concluded on the markets managed by OPCOM or on the spot markets also managed by OPCOM.

BRP Electrica - Balance Responsible Party

The activity of representation in the Balancing Market as the Balance Responsible Party (BRP) took place within EFSA.

Starting with 1 April 2018, the client portfolio is diversified, consisting of producers (hydro, thermal, wind, photovoltaic, biogas, biomass), suppliers and distribution operators, ensuring the balancing service of over 23% of total electricity consumption from Romania.

The distribution companies within Electrica Group have delegated their responsibility to BRP EFSA.

The Balancing Market, a component of the wholesale energy market, is a market for which each licensee must either assume the balancing responsibility or transfer the balancing responsibility to a BRP. By transferring the responsibility to a balance responsible party, there is the advantage of aggregating imbalances, in the sense of reducing costs on the Balancing Market compared to the situation where the producer/supplier/distributor would be itself a Balance Responsible Party.

ENERGY SERVICES SEGMENT

The Group's portfolio also includes the energy services segment (equipment maintenance, repairs and other additional services related to the network), performed almost entirely for the distribution companies outside the Group.

Until 30 November 2020, the segment was represented by SEM, and after the merger by absorption between SERV and SEM, the segment includes the energy services activity within SERV.

Electrica Serv will multiply the efforts to develop the market for "green energy" generation solutions – photovoltaic power plants and reactive energy compensators – by strengthening the partnership with Electrica Furnizare in finding solutions and opportunities for efficiency for customers, by mounting photovoltaic panels and reactive energy compensators, intelligent lighting solutions, backup power, smart metering.

The main objectives of the SERV for the next period are:

- Expanding the activity on the service market outside ELSA group and consolidating in the business lines the new activities simultaneously with reactivating the old activities for which there is accumulated experience;
- Adapting the business and staff structure to streamline the activity and compensate for the losses suffered in the last fiscal years;
- Strengthening the current financial situation and reinvesting resources for the company's development in new directions of development.

ELECTRICITY PRODUCTION

For the **production segment**, the development of the projects already purchased is continued in order to reach the ready to build stage, namely:

- Final development regarding the final authorization process necessary to start the construction;
- Start planning activities for the construction phase for projects that will reach the ready to build stage in the first part of 2023.

In addition to the above-mentioned issues, activities are continued on:

- Acquisitions of new projects regarding the production of electricity from renewable sources and/or the conclusion of partnerships through the acquisition of majority shareholdings in RES projects (already developed by potential partners);
- Start of project development activities for: production from renewable sources, natural gas production, energy storage in batteries, hydrogen production and storage projects;
- Start planning activities for the operation of EPE subsidiary, phered in line with the development and implementation schedule of energy generation and storage projects.

Green certificates

Producers of electricity from renewable energy sources (RES) have the right, according to Law no. 220/2008, to receive a certain number of green certificates, depending on the technology used (for example: Hydraulics, wind, solar, geothermal, biomass, wind energy, bioliquids, biogas), for each MWh produced and delivered in the network and for a certain period of time, depending on the degree of novelty of the group/power plant.

Stanesti photovoltaic Park has the right to receive, starting with February 2013, for a period of 15 (fifteen) years, 6 (six) green certificates for each MWh of electricity produced and delivered in the grid, of which, for the period 1 July 2013 - 31 December 2020, according to Law 23/2014 and Law 184/2018, 2 (two) green certificates were postponed from trading, to be recovered in equal monthly installments starting with 1 January 2021 until 31 December 2030.

The green certificates issued by Transelectrica for the production carried out by the Stanesti photovoltaic park, during the validity period of the accreditation decision issued by ANRE, can be traded, according to GEO 24/2017, until 31 March 2032, respectively, after the expiry of the validity period of the accreditation decision (31 January 2028 in the case of Stanesti photovoltaic park).

The valorization of the green certificates during 2022 was carried out on the spot market (PCSCV) and on the combined market (PCE-ESRE-CV). For the period of 12 (twelve) months ended on 30 December 2022, the trading of green certificates was made at the price of RON 144.6598/GC (2021: RON 142.2107/GC) on all markets as a result of the excess of GC offered for sale compared to the acquisition obligations of economic operators.

5.2. Fixed assets

5.2.1 Tangible assets – summarize key aspects of their location and main characteristics

The number of users and volume of installations as of 31 December 2022 at the level of the three distribution regions (North Transylvania area - TN area, South Transylvania area - TS area and North Muntenia area - MN area) and total DEER (Romania Electrical Energy Distribution) are quantified as follows:

Table 16. Number of users and volume of installations as of 31 December 2022

	UM	TN	MN	TS	DEER (Total)
Geographical coverage	km^2	**34.162**	**28.962**	**34.072**	**97.196**
Number of users, of which:	no.	**1.343.903**	**1.334.610**	**1.196.729**	**3.875.242**
high voltage (HV – 110 Kv)	no.	35	39	46	120
medium voltage (MV)	no.	4.398	4.434	3.086	11.918
low voltage (LV)	no.	1.339.470	1.330.137	1.193.597	3.863.204
Overhead power lines length, out of which:	km	**53.147**	**59.641**	**46.045**	**158.833**
high voltage (HV – 110 Kv)	km	2.191	2.146	3.149	7.486
medium voltage (MV)	km	11.847	12.641	10.517	35.005
low voltage (LV)	km	39.109	44.854	32.379	116.342
out of which connections	*km*	*18.316*	*24.378*	*17.592*	*60.286*

	UM	TN	MN	TS	DEER (Total)
Underground power lines length, out of which:	km	**17.770**	**12.424**	**13.131**	**43.325**
high voltage (HV – 110 Kv)	km	37	17	63	117
medium voltage (MV)	km	4.324	3.551	3.709	11.584
low voltage (LV)	km	13.409	8.857	9.359	31.625
out of which connections	*km*	*7.895*	*2.416*	*3.088*	*13.399*
Cumulative power of transformers/ power AT	MVA	**6.299**	**8.817**	**6.842**	**21.958**
in power stations (HV/MV + MV/MV), out of which:	MVA	3.760	5.802	4.152	13.714
in HV/MV power stations	*MVA*	*3.712*	*5.452*	*4.146*	*13.310*
in MV/MV power stations	*MVA*	*48*	*350*	*6*	*404*
Switching stations/Transformer stations	MVA	2.539	3.015	2.689	8.244
No. of substations, out of which:	pcs	**121**	**213**	**105**	**439**
HV/MT power stations	pcs	92	125	101	318
MT/MT power stations	pcs	29	88	4	121
Number of switching stations and transformer stations	pcs	**9.388**	**10.623**	**9.686**	**29.697**

Source: Electrica

5.2.2 Tangible assets – summarize key aspects of their attrition

Most of the distribution installations currently in the patrimony of the electricity distribution company (detailed by geographical areas) within Electrica Group, about 80% of the total volume, was built in the period 1960-1990, in the successive stages of development of the National Energy System. This has led to a wide variety of equipment currently in operation. These represent installations made with Romanian technology in the period 1960 - 2000, where there is a high degree of physical and moral wear and tear. It should be noted that the installations put into operation between 1980 - 2000 (approximately 10%) gradually exceed the normal operating time.

A relatively small category, representing about 20% of the total installations, is represented by the new installations, put into operation after 2000 and which are made to technical standards that meet the current requirements.

Depending on the voltage level, categories of installations, the year of commissioning and the specific operating conditions, the degree of attrition of the installations can be assessed as follows:

Table 17. Degree of attrition of the installations

		TN	MN	TS
High voltage power lines (110 kV)	Underground power lines	25%	45%	50%
	Overhead power lines	74%	64%	75%
Medium voltage power lines	Underground power lines	48%	63%	65%
	Overhead power lines	57%	58%	60%
Low voltage power lines	Underground power lines	52%	68%	75%
	Overhead power lines	57%	63%	68%
Substations		69%	73%	60%
Transformers	Pole - mounted	44%	48%	50%
	Concrete enclosure	50%	65%	75%
	Pad - mounted	69%	75%	20%
	Underground	15%	95%	85%
	Concrete base	10%	8%	12%

Source: Electrica

The lands on which the existing electrical distribution networks are located at the entry into force of Law 13/2007 are and remain the public property of the state.

In general, electric distribution networks are developed on public land of the state (public roads, land of the UAT) and partly on private land (those that serve mainly the user who owns the property) for the location of transformative posts and/or individual bransings.

In most cases the location of new distribution networks/installations is made in compliance with the urban regulations of the area. It is intended that the delimitation of the operator/user installations to be carried out at the limit of the private domain, with access from the public road.

Maintenance of tangible assets, modernization and development of new assets is carried out on the basis of the annual maintenance plans and annual investment plans approved by ANRE.

The annual investment plans are approved both as a total value cap, with a minimum required level, to be achieved, at the value of the annual depreciation, as well as detailed covering every investment goal.

The annual maintenance plans are valorically approved by ANRE and must be carried out in the amount of at least 95%.

5.2.3 Investments

The investments at Electrica Group level have been prioritized considering especially the distribution company's assets degree of wear, and with a particular focus on the improvement of the distribution service quality, the safety in operations, as well as the increase in efficiency.

The Group will continue to modernize and to develop the smart distribution network by installing smart network infrastructure systems, such as SCADA, SAD, electricity measurement systems etc., in order to improve the energetic and operational efficiency, to improve the network flexibility, the distribution service quality and to ensure the continuity in the electricity supply and the networks' safety.

In the investments' program implementation, the Group's strategy and in particular the following criteria are ensured:

- tracking the inclusion of regulated investments in the RAB;
- non-regulated investments of the Group must provide an internal rate of return higher than the weighted average cost of capital;
- the proposed investment program must follow the Group's financial strategy of maintaining a solid capital structure.

Thus, those categories of capital expenses that contribute to the development of a profitable and sustainable distribution activity, as well as to the creation of the conditions of access to the electricity distribution network for the consumers and electricity producers, in accordance with market requirements, are prioritized, based in particular on:

- distribution automation by integrating of the installation in SCADA, SAD, DMS etc.;
- modernizing the equipment from the substations and the medium voltage network;
- introducing equipment with reduced technological losses, higher operating efficiencies and environmentally friendly;
- modernizing of the medium and low voltage distribution network and connections;
- expansion of modern systems for measuring electricity consumption and transmitting consumption data.

At the same time, the Group is considering investments in the upgrade of IT infrastructure and IT systems, considering both the legal requirements regarding data protection and the positive effect on the quality of the services provided.

The following table presents the investment program approved by ANRE for the distribution area within Electrica Group for the period 2019 - 2023 (in 2018 real terms):

Table 18. Investment program approved by ANRE for 2019-2023 (RON mn.)

Commissioning program approved by ANRE for the period 2019 - 2023 (RON mn.)						
	2019	2020	2021	2022	2023	Total
SDTN	190	175	170	160	160	**855**
SDTS	200	190	170	170	160	**890**
SDMN	200	190	160	160	165	**875**
Total	**590**	**555**	**500**	**490**	**485**	**2,620**

Source: ANRE

In 2022, Electrica Group companies realized the following investments, compared to the planned values.

Table 19. Investments planned 2022 vs achieved 2022 (RON mn.)

Electrica Group subsidiary (RON mn.)	Planned 2022	Achieved 2022
DEER, TN area	218.8	191.4
DEER, TS area	242.2	198.2
DEER, MN area	228.0	196.8
EFSA	47.2	10.4
SERV	3.6	1.8
ELSA	10.6	2.2
Total	**750.5**	**600.8**

Source: Electrica

At Electrica Group level, in 2022, the consolidated CAPEX plan was achieved at a rate of 80,1% compared to the plan approved by the Board of Directors of ELSA in April 2022, and for the distribution subsidiary DEER, the average degree of achievement is of 85.1% compared to the approved plan.

The synthetic structure of investments achieved (CAPEX) by the distribution subsidiary in 2022 is presented in the table below (for details of the most important investments see Appendix 2).

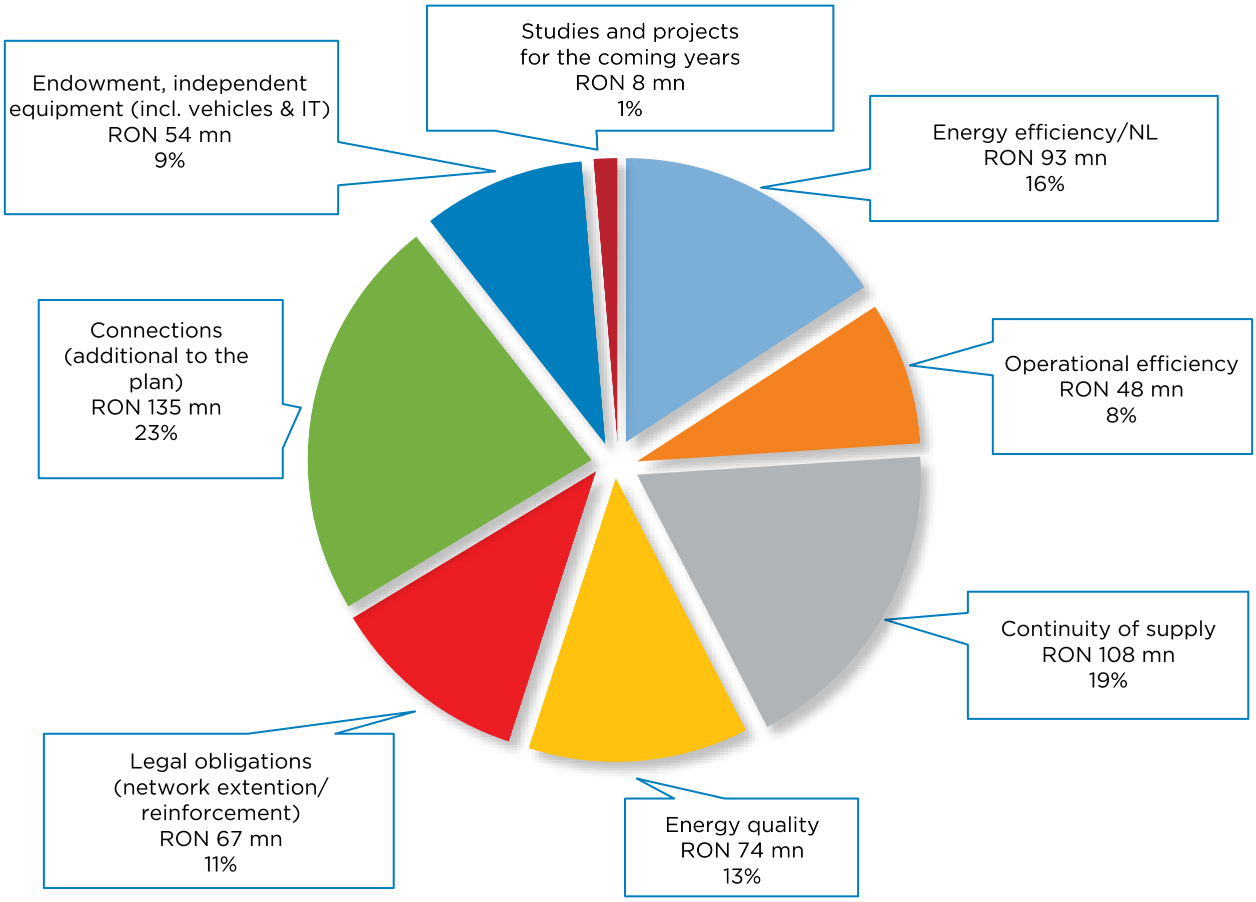
Table 20. The synthetic structure of investments achieved by distribution subsidiary in 2022 (RON mn.)

Category of works (RON mn.)	Total
Efficiency, out of which:	**141**
Energy efficiency/NL	93
Operational efficiency	48
Quality of distribution service, out of which:	**384**
Continuity of supply	108
Energy quality	74
Legal obligations (network extention/reinforcement)	67
Connections (additional to the plan)	135
Other categories, out of which:	**62**
Endowment, Independent equipment (including vehicles & IT)	54
Studies and projects for the coming years	8
Total	**586**

Source: Electrica

The main investments of the Electrica Group were focused in 2022 on improving the quality of the distribution service, as well as on increasing the energy and operational efficiency.

Figure 27: The structure of CAPEX achievements for distribution operator within the Group, in 2022 (RON mn.)



Source: Electrica

The **approved plan of investments to be commissioned** in 2022 for Societatea Distributie Energie Electrica (DEER), the distribution company within Electrica group, was in total amount of RON 587.1 mn., this value also including investments carried forward, for the year 2021 (RON 28.6 mn.).

The total value of the investments carried out and commissioned in 2022 by DEER is RON 478.9 mn. representing an average percentage of 82% compared to the total planned value.

From the total of RON 478.9 mn. investments carried out and commissioned, RON 398.9 mn. are related to 2022 plan, RON 66.1 mn. are additional works from legal obligations and RON 13.9 mn. represent investments carried forward from 2021 plan.

Table 21. PIF plan vs achieved 2022 (RON mn.)

DEER (RON mn.)	Total 2022 plan	Total achieved 2022	Total percentage of achievement %
MN area	189.4	153.0	81%
TS area	205.8	146.8	71%
TN area	191.9	179.1	93%
Total DEER	**587.1**	**478.9**	**82%**

Source: Electrica

As a result of investments made during 2014-2022, the value of the Regulated Assets Base of the Group's distribution operators has progressively changed, with an increasing evolution, and is as follows:

Table 22. RAB evolution 2014-2022 (RON mn.)

RAB (RON mn)	2014[1]	2015	2016	2017	2018	2019[2]	2020[3]	2021[4]	2022[5]
SDTN	1,331	1,420	1,519	1,624	1,728	1,856	1,952	2,200	2,102
SDTS	1,333	1,377	1,388	1,475	1,521	1,691	1,778	1,847	1,896
SDMN	1,486	1,543	1,581	1,679	1,769	1,913	2,035	2,098	2,158
Total	**4,150**	**4,340**	**4,488**	**4,779**	**5,019**	**5,460**	**5,764**	**5,967**	**6,156**

Source: Electrica

5.2.4 Aspects of ownership of tangible assets

The operation of assets is realized:

i) under the concession contract, by which the Concendent (Ministry of Energy) has transmitted to the concessionaire (distribution operator) the right and obligation to operate the activities and service of electricity distribution;

ii) based on the distribution license - Ordin ANRE 73/2014 - regarding the approval of the general conditions associated with the licenses for the provision of the electricity distribution service.

During the period of validity of the license, the license holder has the exclusive right to provide the electricity distribution service, under the conditions of the regulations in force, in the area defined under the specific conditions associated with the license, using the electrical distribution network that it holds as owner or with any other legal title, provided under the specific conditions associated with the license, in compliance with the provisions of the concession contract concluded with the contracting authority.

In order to ensure the normal functioning of the distribution network that it operates, the license holder has the right to exercise, under the conditions of the Law, the rights provided by the law for the holders of licenses on land and public or private property of other natural or legal persons and on the activities carried out by natural and legal persons in the vicinity of the components of the electrical distribution network, as well as the right of access to public utilities.

Obligations of the distribution license holder:

- The obligation to allow the use of the electrical distribution network;
- Ensuring the connection to public interest electricity networks;

At the request of any natural or legal person, the license holder is obliged to provide access to the distribution network provided under the specific conditions associated with the license, in order to make a new connection or to modify an existing connection.

- Development of the electrical distribution network.

The license holder is obliged to carry out planning and development works of the distribution electrical networks, under conditions of technical and economic efficiency, according to the provisions of the law and in compliance with the technical regulations in force.

1 In 2018, ANRE communicated the final value of the investments recognised for 2014, due to this reason starting with 2014 the RAB values have been modified.
2 The values estimated as of 31 December 2019 may suffer corrections/changes, following ANRE's analysis process.
3 The values estimated as of 31 December 2020 may suffer corrections/changes following ANRE's analysis process.
4 The values estimated as of 31 December 2021 may suffer corrections/changes following ANRE's analysis process.
5 The estimated values for RP4 may suffer corrections/changes, following ANRE's analysis process.

5.3. Procurement

The acquisition activity at the level of ELSA and its subsidiaries is carried out in accordance with the legal provisions in force, as well as its own procedures and regulations as the case may be, aiming to cover the needs of goods, services and works for the smooth running of the Group's activities.

In the case of distribution subsidiary DEER, the sectoral procurement legislation is observed, mainly Law no. 99/2016 on sector acquisitions and GD no. 394/2016 approving the methodological norms for the application of the provisions regarding the award of the sectoral contract/framework agreement of Law no. 99/2016 on sector acquisitions.

In some cases, the acquisitions are carried out and centralized by delegating the coordination of the acquisition to a group company, with the primary objective of reducing costs, optimizing the acquisition and ensuring a unitary policy within the Group. From the acquisitions made centrally, we mention the D&O insurance services and the acquisition of services for determining the carbon footprint at Electrica Group level for 2022.

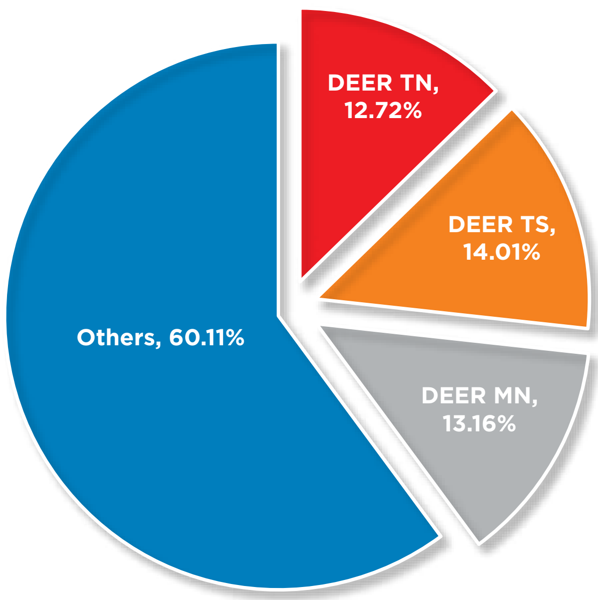
5.4. Sales activity

Electrica Group's revenues are influenced mainly by the distribution and supply segments. The contribution of the distribution segment to the total revenues was of 18.1% in 2022, while the contribution of the supply segment was of 81.8%.

The Group's distribution operators (one operator from 1 January 2021) are natural monopolies in their respective markets and as such, they hold a dominant position. In addition, the Group's distribution operators have a legal monopoly in their relevant regions; hence, other entities cannot set up a competing electricity distribution business.

The following figure shows the national market share (based on the quantities of distributed electricity) held by the Group's subsidiaries in the electricity distribution segment, according to the 2021 ANRE report for performance indicators' monitoring.

Figure 28: Market share of distribution segment in 2021

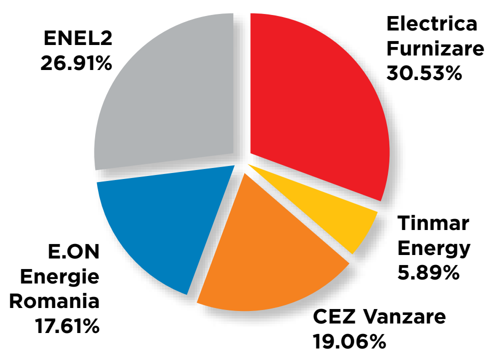


Source: ANRE Report for performance indicators' monitoring 2021

Regarding the supply segment, although it holds a strong position on the electricity supply market, EFSA is facing growing competition on its market.

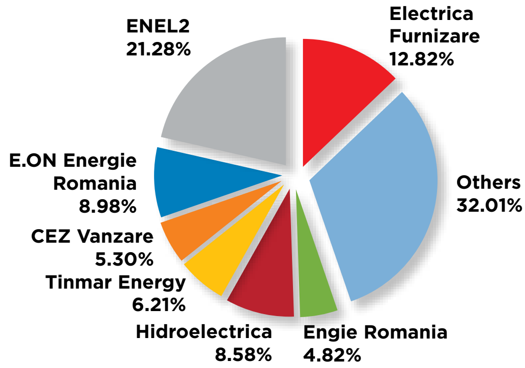
The figures below shows Electrica market shares for the supply activity as of 30 September 2022 (based on the quantities supplied):

Figure 29: Last Resort suppliers market, 2022



Source: ANRE monthly report (September 2022)

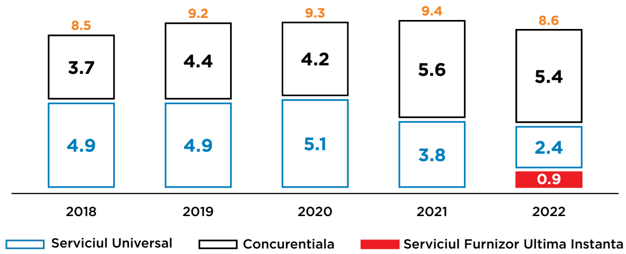
Figure 30: Competitive Market, 2022



Source: ANRE monthly report, September 2022

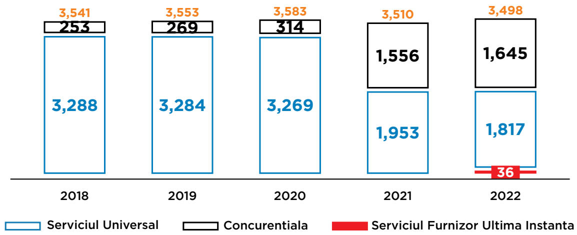
Note: Others category includes suppliers whose individual market shares are below 4%

Figure 31: Volume of electricity supplied on the retail market (TWh)



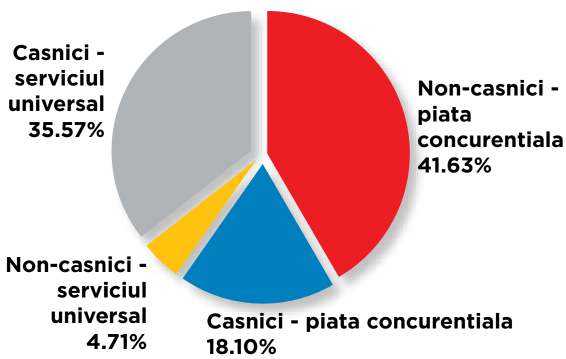
Source: Electrica

Figure 32: Evolution in number of costumers (th)



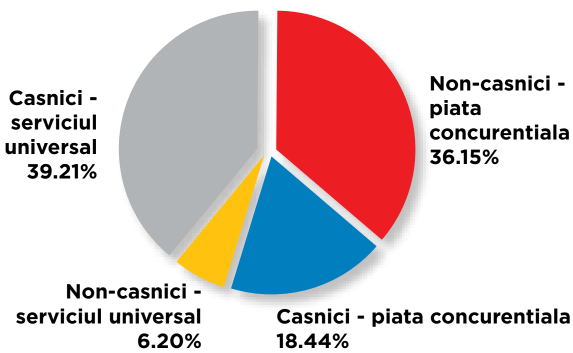
Source: Electrica

Figure 33: Customers by electricity supplied volume, 2022



Source: Electrica

Figure 34: Customers by revenues, 2022



Source: Electrica

Major customers exposure

EFSA does not have a significant exposure/concentration to a particular customer or group of customers that could have a major influence on its business. The market position provides an inherent advantage to have very large portfolio of customers and to obtain the dispersion of risk, and as such there is no risk concentration. This advantage has been confirmed during the pandemic period, proving that the economic sectors impacted by the pandemic, despite they generate significant exposures, they cannot represent systemic dangers to the entire company' s portfolio.

However, certain consumers, as hospitals, ambulance stations, schools, kindergarten and nurseries, air and air or maritime traffic services are considered to have a special importance and they cannot be disconnected by the electricity suppliers. Customers who fall under the insolvency law can benefit from its protection against its creditors, and therefore possibly also from electricity suppliers for the electricity supply contracts in force at the date of initiation of insolvency procedures.

BRP Electrica - Balance Responsible Party

The representation activity in the Balancing Market as the Balance Responsible Party (BRP) is carried out by Electrica Furnizare SA based on the electricity supply license no. 2279/04 August 2021.

BRP EFSA's client portfolio is diversified, consisting of producers (hydro, thermal, wind, photovoltaic, biogas, biomass), suppliers and distribution operators.

At the end of 2022, about 108 licensed participants have delegated their responsibility to BRP EFSA, out of which:

- 11 suppliers, representing 10.19% out of total BRP;
- 5 distribution operators, representing 4.63% out of total BRP, and
- 92 producers, representing 85.19% out of total BRP;

compared to the end of 2021, when about 96 licensed participants were registered.

In 2022, the average number of customers was about 106, larger than the average of 2021 (97) and an average number of over 300 bilateral contracts, respectively exchanges with OPCOM, were notified.

Starting with February 2021, the settlement in EM is performed at an interval of 15 minutes using the methodology of unique price in accordance with the ANRE Order no. 213/2020. These intervals with unique price do not allow compensations, and those with dual price are reduced.

In 2022 out of a number of 35,040 intervals, a dual price was applied on a number of 2,899 intervals (8.27%) resulting in a degree of compensation of approximately 51%.

In 2022, because of internal compensations of imbalances, within BRP EFSA, it was resulted an improvement of surplus and deficit prices by 48.14 RON/Mwh compared to the imbalance prices calculated by OTS/OPCOM.

Year 2022	
OPCOM Average surplus price	BRP EFSA Average surplus price
866.75	914.72
OPCOM Average deficit price	BRP EFSA Average deficit price
1,057.39	1,009.25

Electrica Furnizare SA, through BRP service has been acting on the Intraday market starting with February 2021 in order to buy/sell electricy quantity not transacted on DAM (Day Ahead Market).

For 2022, the results for the trades in IM (Intraday Market) are the followings:

- Buy – quantity of 51,189.43 MWh at an average price of 1,427.94 RON/MWh;
- Sell - quantity of 47,565.08 MWh at an average price of 1,310.22 RON/MWh.

Out of total traded of 103,504.80 MWh (at an average price of 1,387.80 RON/MWh) on Buy in IM-OPCOM, EFSA traded a quantity of 51,189.43 MWh, representing approx. 49%. Out of the total traded of 138,392.78 MWh (at an average price of 1,306.21 RON/MWh) on Sell in IM-OPCOM, EFSA traded a quantity of 47,565.08 MW, representing approx. 34%.

5.5. Personnel

On 31 December 2022, Electrica Group had 7,911 employees. The table below provides an overview of the employment in the Group, by business segments, at the end of the specified years. Starting with 2020, the figures include also the mandate contracts.

Table 23. Number of employees evolution 2022 - 2019

	2022*	2021*	2020*	2019
Electricity distribution segment - DEER	**6,555**	**6,454**	**7,213**	**6,972**
DEER - MN	2,211	2,156	2,184	2,191
DEER - TN	2,262	2,259	2,248	2,233
DEER - TS	2,082	2,039	2,087	2,085
Services segment - SERV	469	612	694	463
Supply segment – EFSA	816	838	793	896
Services related to other distribution networks – SEM (included in SERV starting December 2020)	**0**	**0**	**0**	**296**
Headquarters – ELSA	71	109	120	128
Total	**7,911**	**8,013**	**8,126**	**8,292**

Source: Electrica

**According to the modified reporting methodology to INS, the employees number from 31 December 2022 also includes 23 persons who worked based on a mandate agreement.*

In addition to the traditional areas of interest, new ones appeared, such as the development of new activities, based on innovative technology, the development of a closer relationship with customers, based on the development of competencies, but also on an offer of products and services aligned with their needs, which led to an increase in the number of employees within the Group.

Also, ensuring the necessary human resources (from internal resources or through specific recruitment) for key business areas and training staff and capitalizing on its potential, expertise and skills, in order to increase labor productivity and individual performance, are treated as priority topics.

As of 31 December 2022, approximately 72% of the Group's employees represent directly productive staff, and 28% represent indirectly productive staff, including technical, economic, social and administrative personnel.

Table 24. Group's employment by age, 2022-2020

Age category	31 December 2022	31 December 2021	31 December 2020
under 18	0.00%	0.00%	0.01%
18-30	5.1%	4.76%	4.60%
31-40	14.7%	16.06%	16.32%
41-50	34.3%	34.96%	36.99%
51-60	43.3%	41.44%	39.26%
over 60 years old	2.6%	2.85%	2.82%
Total	**100%**	**100%**	**100%**

Source: Electrica

As of 31 December 2022, about 98% of the Group's employees are union members and their employment conditions are governed by the Collective Labor Agreement, which will expire on 17 May 2024 for ELSA and between February- June 2024 for the Group's subsidiaries.

The Electrica Group did not face union actions in 2022.

In 2022, on the Services segment of the Group, a voluntary leave program took place (51 departures), continuing the processes of identifying the personnel with expertise in order to ensure the performance and efficiency of the activities at the level required by the regulatory authorities and the energy market.

In the first part of 2022, the reorganization plan of S.E. Electrica S.A. was implemented including organizational measures that took into account the resizing and redefinition of the staffing scheme, as well its organization and operation model, for adapting to the current conditions of the Company's activity on the energy market, streamlining the activity, improving the organization's performance and consolidating medium and long-term results. These measures led to the simplification of hierarchical structures and the reduction of a number of 32 positions (mainly middle management), through employment contract termination for reasons unrelated to the employee, and a number of 19 employees left the organization following the collective dismissal process. One of the strategic objectives is education and training to ensure the necessary quality staff, with the expected result of building an internal professional training system, which addresses the main skills needed by employees, to increase and maintain organizational capabilities and to support performance. During 2022, the training program in the dual education system continued, within the Distribution Subsidiary, targeting High School classes with an energetic profile.

The Group is involved in the life of the communities in which it operates, supporting children of families with modest material possibilities to remain in the education system, and at the same time, forming a solid base of young electricians who will be able in the future to join the distribution company, depending on the workforce need.

Both ELSA and its subsidiaries prepared and updated policies, procedures and internal regulations that contain provisions regarding employment, non-discrimination, occupational health and safety, employer and employees' rights and obligations, the procedure for solving the employees' complaints, the labor discipline, disciplinary sanctions and deviations, rules regarding the disciplinary procedure, criteria and procedures for the professional evaluation of employees, succession and final provisions.

Also, the improvement and continuous development of the performance management system contributes to the achievement of Electrica Group key objectives, set for the 2019-2023 period (*Improving operational performance to continuously increase the quality of customer service and Increasing performance and strengthening the sustainability of economic results*).

By adopting the human resources strategy, the Group aims to ensure the qualified resources necessary to support the initiatives for the next period, in the conditions of an accentuated dynamics of the labor market.

Another desideratum, established by the strategic objective regarding the modernization, is the increase of the employees' trust in the employer and the creation of a suitable working environment for collaboration and obtaining the envisaged performances. Thus, in order to improve the interactions of the Electrica Group employees with the human resources departments, to increase the employee retention and to improve the perception on the organizational culture.

Also, in order to improve the employer's image and the continuation of the pandemic context during 2022, the hybrid („work from home/office") system was implemented within the Electrica Group, complying with the internally defined processes, regarding workplace safety and human resources activity management.

The organizational culture modernization, having as central elements „excellence" and „safety", is one of the strategic objectives, and one of the projects in this area carried out at the Group level is represented by the training of agents, with the role of supporting organizational changes and subsequent optimization of business processes. This program aims to promote opening to the new challenges and to encourage employees to propose solutions to solve the problems they face at work. Lean agents are employees who not only accept the change, but contribute to identification of the solutions and support their implementation.

Another objective of major interest is the performance management, as a coherent system that evaluates as objectively as possible the activity of the employees, in close correlation with the system of compensations and benefits and the professional development one.

In 2022, it was continued the methodological and conceptual framework for the application of international best practices was developed to increase the maturity of the performance management system within Electrica, which considers the continuous improvement of the employee evaluation process and the development of the necessary tools to build a solid performance-based system. At the level of the entire Group, the 360-degree evaluation process was carried out, with the aim of developing a culture of feedback within the organization.

The training programs carried out at the Electrica Group level considered both the constant evolution and the improvement of the Group employees' skills. The company's management supports the principle of development through continuous training by involving employees in these programs, thus supporting them to effectively address their professional challenges.

HEALTH AND SAFETY AT WORK

In 2022, all the companies of the Electrica Group maintained their Integrated Quality-Environment Management System certification, which ensures the compliance of the companies with the legal requirements in the field of occupational health and safety and with those of the SR ISO 45001:2018 referential. There is thus a guarantee that services and processes are provided and carried out in safe conditions for the company's own staff and contractors, as well as for customers.

The work accidents situation and specific indicators at Electrica Group level

In 2022 there were 2 fatal accidents at Electrica Group.

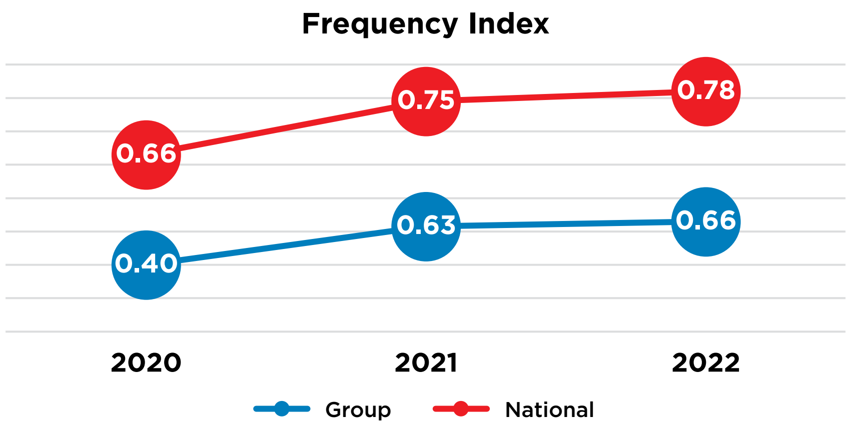
The total number of work-related accidents in the Group was 5, of which 2 were fatal.

The complex of complementary causes and contributing factors that led to the occurrence of each of these accidents was analysed at DEER level by the legally constituted committees, and **the investigation files include the measures to prevent similar situations that need to be implemented by the company**. Two of the work accidents recorded at group level were caused by the materialization of the risk of electrocution (1 fatality), two were caused by the materialization of the risk of falling from height (1 fatality), and one was caused by a physical aggression.

An occupational health and safety event occurred due to the health condition of the staff, without being classified as a work-related accident, resulting in the death of a DEER employee due to pathological causes.

The frequency index (FI), expressed as the number of accidents per 1,000 employees is for 2022 at Electrica Group level 0.66‰, registering a small increase compared to 2021 due to the sensitive reduction of the number of staff at the group level.

Figure 35: Frequency index 2020-2022



Source: Electrica

IF is a statistical indicator recommended by the International Labour Organization (ILO) through the Resolution on Statistics of Occupational Injuries adopted in October 1998 as it correlates the number of accidents with the number of workers, increasing the comparability of organisation's performance in the field of OSH and eliminating distortions caused by the size of these organisations (number of employees in each organisation).

Starting with 2020 and continuing in the following years, the IF for Electrica Group has been consistently below the national value of the indicator and well below the level recorded for the industry in which it operates.

Aspects regarding the employees health

The Electrica Group's field of activity does not involve a risk of developing diseases caused exclusively by working conditions, so no occupational diseases have been recorded in 2022 or in previous years.

Prevention, monitoring and occupational health insurance at Electrica Group level was carried out by doctors with specialisation in occupational medicine through dedicated service contracts and was followed up at ELSA level for the portfolio companies through reports.

Actions to improve safety and health of employees at work place

A sustained effort on the part of the OSH teams at the level of each company within the Group required throughout 2022 to ensure the monitoring of the OSH activity, the main actions defined and managed being:

- the establishment of Occupational Safety and Health Committees;
- carrying out an assessment of the risks of injury and occupational illness for all existing workplaces and drawing up the Prevention and Protection Plan;
- regular occupational health and safety, fire safety and civil protection training every six months, as well as additional training; training of new employees, in accordance with the instructions in force, by means of general introductory and job-specific training;
- signing Occupational Safety and Health agreements with each contractor involved in providing services to the company;
- carrying out internal checks on occupational safety and health and fire safety. The controls focused on compliance with specific legislation and internal regulations in this area;
- monitoring the state of health of employees, for which contracts for occupational health services were concluded. On the basis of these contracts, medical examinations were carried out on recruitment and regular medical check-ups.

In 2022 the total number of SSM - SU training hours reached 313,295, compared to 315,295 SSM - SU training hours in 2021, the decrease being due to staff reductions.

1999, represents the **total number of OSH controls carried out at the level of the Electrica Group** with its own personnel, to identify deficiencies that could generate risks for the safety and health at work of employees, these controls being followed by immediate treatment of the non-compliances found.

Although during the reference period there were numerous controls by the Territorial Labour Inspectorates and Emergency Situations Inspectorates, no sanctions were imposed on any of the Group companies.

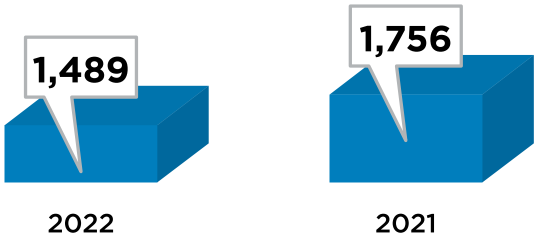
5.6. Environmental considerations

The year 2022 meant for the Electrica Group environmental protection expenses amounting to RON 20.2 mn., increase compared to previous year. This expenditure was mainly aimed at the prevention and protection against forest fires, the collection and disposal of waste, the reduction of emissions into the atmosphere, the protection and conservation of flora and fauna species, the protection and recovery of land, etc.

At the level of the Electrica Group, we strive to have a detailed picture of the forms of impact our activities have on the environment and to identify optimal solutions for their management. In 2022 a first CO_2 - equivalent GHG assessment exercise was launched for 2021. In this study, all the activities of the group companies were analyzed, and the result shows that an important source of GHG emissions is the own technological consumption (NL) in the distribution networks (the results are presented in the Sustainability Report for 2021).

At the Group' distribution operator DEER level in 2022 continued the program of elimination of PCBs (polychlorinated biphenyls) from electrical installations in operation within the legal deadline set at national level - year 2028 (cf. GD no. 1497/2008) - total elimination of them.

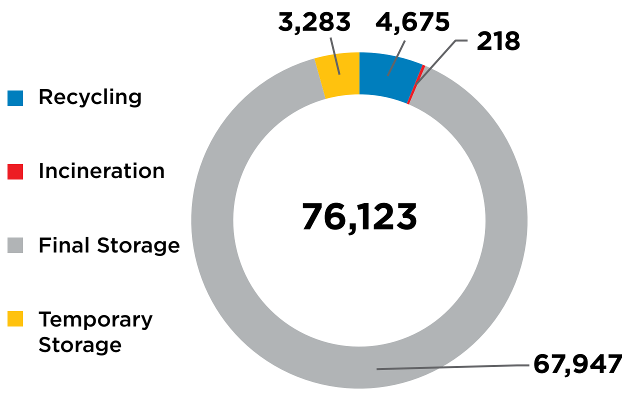
Figure 36: PCB capacitors in operation at the end of 2022 compared to 2021



Source: Electrica

For responsible waste management and the safe disposal of the generated waste, a unified process has been defined and implemented at the level of Electrica Group, governed by the principles of selective collection and recycling – when its requirements are met - or destruction with authorised operators.

Figure 37: Waste processing



Source: Electrica

Following external certification/supervisory audits carried out by the certification body SRAC Cert, companies within Electrica Group obtained or maintained in 2022 the certifications for their Integrated Management Systems Quality – Environment –SSM through which the environmental aspects specific to the performed activities are managed in a responsible and efficient manner, in accordance with the provisions of the international standard SR EN ISO 14001:2015.

5.7. Research and development activities

Electrica Group is promoting technological innovation by participating in research and development projects financed/co-financed through European funds, which aims to empower the resilience of energy systems with an increasingly complex structure but also more vulnerable to cyber-attacks.

Thus, with the integration of an increasing number of distributed generation sources in the distribution network increases the role of intelligent technologies as well in network operation by remote monitoring, control, or operation and even more by network self-healing implementation.

The growing number of cyber security incidents in the energy system as well as the need for shielding against a variety of threats require novel and holistic solutions that employ cutting edge technologies to detect and mitigate threats, ensuring compliance with the latest cyber security standards.

In this context, Electrica participates in the European project ELECTRON - resilient and self-healed EleCTRical power Nanogrid, financed by the EU, which addresses the need to protect the distribution network against a variety of threats, ranging from cyberattacks, dynamic and evolving Advanced Persistent Threats (APT), and privacy violations, to electricity disturbances.

The project aims at delivering a new-generation EPES (Electrical Power and Energy System) platform, capable of empowering the resilience of energy systems through risk assessment, anomaly detection and prevention, failure mitigation and energy restoration, and personnel training.

The project is carried out by a consortium of 34 organizations (companies, universities, etc.), coordinated by Intrasoft International, Belgium, with a duration of 36 months starting from October 2021.

Electrica achievements:

- Use case 4 defining - Proactive islanding, that fulfills an efficient detection of cyber threats: addressing and mitigating cyber-attacks in the Romanian Energy Chain - in the 1st year of the project;
- Implementation of Security and confidentiality requirements for users according to the legislation - in the 2nd year of the project;
- Analysis of the opportunity to implement the platforms proposed in the project - in the 2nd year of the project;
- Vulnerability and impact analysis: estimating the severity of a vulnerability on a certain asset - in the 2nd year of the project;
- Threat level and types of attackers - in the 2nd year of the project;
- Testing of ELECTRON components - Use case at 4 enterprise level to ensure increased resistance of the energy system, while ensuring business continuity and critical operations of the energy community - in the 2nd year of the project.

5.8. Significant aspects regarding the impact on the recognition of financial assets as a result of the amendment of the concession agreements – S-IFRS-EU

Distribution segment

Financial asset recognition from amendment of concession agreements with Ministry of Energy

On 20 January 2023, the Ministry of Energy as concessionaire amended the concession agreement with the Group for the distribution segment to reflect that in case of early termination of the concession agreement, for any reasons, the cocessionaire would reimburse to the Group the value of actual costs with the purchase of electricity for own technological consumption compared to the costs included in the regulated tariffs.

The amendments to the concession agreements have been agreed with the Ministry of Energy before 31 December 2022, however the addendums were issued on 20 January 2023. All facts and circumstances were available as of 31 December 2022, therefore Group accounted for these amendments as a subsequent adjusting event for the year ended 31 December 2022 and recognised a financial asset.

Based on the concession contracts amendments, the additional cost of purchasing electricity for covering the own technological consumption of the distribution operators, carried out starting with 1 January 2022, as in art.III from GEO 119/2022 (actual costs with the purchase of electricity for own technological consumption ("NL") coverage compared to the costs included in the regulated tariffs) are recognised as financial asset as part of the concession agreement. Such amounts are guaranteed by the concession agreement which is enforceable by law. The operator has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor; the grantor has no discretion to avoid payments in case of early termination of the concession agreements.

5.9. Significant aspects of the impact of subsidies on the capitalization of additional costs related to technological consumption (NL) – S-OMFP 2844/2016

Distribution segment

Having regard to the following aspects concerning the recent legislative changes in the energy sector concerning the recognition in tariffs of the additional costs of the purchase of electricity to cover their technological consumption compared to the costs included in the regulated tariffs, introduced by:

- ANRE order no. 129/2022 for the approval of the methodological norms regarding the recognition in tariffs of the additional costs with the acquisition of electricity to cover the own technological consumption compared to the costs included in the regulated tariffs;
- Emergency Ordinance no. 119/2022 amending and supplementing the Government Emergency Ordinance no. 27/2022 on the measures applicable to final customers in the electricity and natural gas market during 1 April 2022-31 March 2023, as well as amending and supplementing some normative acts in the field of energy, approved and amended by Law no. 357/2022;
- Transposing the provisions of the normative acts from the primary and secondary legislation into the financial accounting area by order no. 3900/2022 regarding the approval of accounting specifications in the application of the provisions of art. III of Government Emergency Ordinance no. 119/2022 amending and supplementing Government Emergency Ordinance no. 27/2022 on the measures applicable to final customers in the electricity and natural gas market between 1 April 2022-31 March 2023, as well as for the modification and completion of some normative acts in the field of energy.

Starting with September 2022, it is allowed to capitalize, recognize and report additional costs related to the own technological consumption (NL) of distribution operators.

5.10. Principle of business continuity – substantiation and working hypothesis

The going concern principle implies that the entity continues its normal operations without going into liquidation or significantly reducing its activity.

The consolidated financial statements have been prepared on a going concern basis. In making this judgement, management considers ongoing performance and access to financial resources. The Group has prepared a forecast which includes the following assumptions:

- A continuation of the support scheme until 31 March 2025 as per current legislation, but with a more stable flow of subsidy claims repayment compared to last year as the mechanism has been operationally improved;
- Use of confirmed financing facilities up to RON 4,028.4 mn., including overdraft limits amounting to RON 2,743.5 mn. and long-term loans amounting to RON 1,284.8 mn;
- Use of yet uncovered facilities in the amount of RON 283.0 mn. and non-recourse factoring limits for subsidy repayment claims under the support scheme in the amount of RON 350.0 mn., which will be drawn during the forecast period;
- The Group has also obtained GSM approval to carry out one or more bond issues up to RON 900.0 mn. in the period 2022-2023, mainly for the development of green energy generation projects. Depending on the market context, a first issue of up to RON 450.0 mn. is envisaged in the second part of 2023, and until it is used in the operationalization of green energy generation projects, the respective amounts attracted may be used as a liquidity buffer, at Group level.

At the date of publication of these consolidated financial statements, the regulatory position may be subject to further change and there may be additional laws that could have a negative impact on the Group's operating cash flows in the forecast period. Given the current market uncertainties, the Group is closely monitoring the market environment and is continuously analysing opportunities to optimise debt and increase bank overdrafts and long-term loans. Considering the Group's importance as both supplier and distributor of electricity for the Romanian market with a market share of 40.7% (according to the latest available ANRE 2021 report for the distribution segment) on electricity distribution and 17.72% (according to the most recent ANRE October 2022 report for the supply segment) on the electricity supply market and the fact that the main shareholder of Electrica SA is the Romanian State, the management believes that sufficient financing will be available to cover any financing requirements that may result from these uncertainties and that the Group will be able to meet its obligations as they fall due.

Based on the above forecasts and other information, considering the measures already implemented and the risk mitigation strategies that may arise due to the unstable economic environment, the Board of Directors has, at the time of approval of the consolidated financial statements, reasonable expectations that the Group has adequate resources to continue its operations for the foreseeable future. Accordingly, management continues to prepare the consolidated financial statements on a going concern basis.

6 Electrica financial reporting for 2022

The overview of the company's consolidated financials in chapters 6.1, 6.2. and 6.3 is based on the consolidated financial statements that have been prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union ("IFRS-EU"). These consolidated financial statements are presented in RON, which is the functional currency of all companies within the Group.

The overview of the company's consolidated financials in chapters 6.4, 6.5 and 6.6 is in accordance with the Order of the Ministry of Public Finance no. 2844/2016 adopted by the European Union ("IFRS-EU"). These consolidated financial statements are presented in RON, which is the functional currency of all companies within the Group.

6.1. Consolidated statement of the financial position – S-IFRS-EU

The following table presents the consolidated statement of the financial position.

Table 25. Consolidated statement of the financial position 2022-2020 (RON. mn)

	31 December 2022	31 December 2021	Variation 2022/2021 abs	31 December 2020
ASSETS				
Non-current assets				
Intangible assets related to concession agreements	5,675.9	5,514.6	161.3	5,455.2
Goodwill	12.0	-	12.0	-
Other intangible assets	12.9	9.0	3.9	7.2
Property, plant and equipment	499.4	505.4	(6.0)	508.1
Investments in associates	18.8	25.8	(7.0)	-
Other investments	7.0	-	7.0	-
Financial assets related to concession arrangements – non current portion	761.3	-	761.3	-
Deferred tax assets	30.2	83.5	(53.4)	19.7
Other non-current assets	2.4	1.7	0.7	1.2
Right of use assets	52.2	20.9	31.2	27.1
Total non-current assets	**7,072.0**	**6,160.9**	**911.0**	**6,018.5**
Current assets				
Trade receivables	2,466.0	1,344.6	1,121.4	1,029.8
Other receivables	127.3	48.6	78.7	32.5
Cash and cash equivalents	334.9	221.8	113.1	570.9
Restricted cash	-	-	-	320.0
Subsidies receivables	1,280.8	-	1,280.8	-
Inventories	114.0	73.0	41.0	70.1
Prepayments	13.9	5.0	8.8	2.8
Financial assets related to concession arrangements – current portion	190.3	-	190.3	-
Current income tax receivable	24.0	23.8	0.2	1.8
Assets held for sale	0.2	5.4	(5.1)	15.5
Total current assets	**4,551.3**	**1,722.2**	**2,829.2**	**2,043.4**
Total assets	**11,623.3**	**7,883.1**	**3,740.2**	**8,061.8**
EQUITY AND LIABILITIES				
Equity				
Share capital	3,464.4	3,464.4	-	3,464.4
Share premium	103.0	103.0	-	103.0
Treasury shares reserves	(75.4)	(75.4)	-	(75.4)
Revaluation reserve	92.1	102.8	(10.7)	116.4

	31 December 2022	31 December 2021	Variation 2022/2021 abs	31 December 2020
Legal reserves	429.6	408.4	21.2	392.3
Retained earnings	1,353.9	950.2	403.7	1,759.6
Total equity attributable to shareholders of the Company	**5,367.8**	**4,953.6**	**414.2**	**5,760.3**
Non-controlling interests	(0.5)	-	(0.5)	-
Total equity attributable to shareholders of the Company	**5,367.2**	**4,953.6**	**413.7**	**5,760.3**
Liabilities				
Non-current liabilities				
Lease liability – long term	34.5	12.1	22.4	16.9
Deferred tax liabilities	212.6	161.9	50.6	177.8
Employee benefits	117.3	149.2	(32.0)	143.9
Other liabilities	72.4	32.7	39.7	33.9
Long-term bank borrowings	647.2	118.8	528.4	400.3
Total non-current liabilities	**1,083.9**	**474.7**	**609.2**	**772.7**
Current liabilities				
Lease liability – short term	19.2	9.4	9.8	10.7
Bank overdrafts	2,571.0	627.4	1,943.6	165.0
Trade payables	1,407.1	891.3	515.8	607.2
Other payables	867.5	271.3	596.3	240.9
Deferred revenue	24.8	9.7	15.1	5.6
Employee benefits	114.2	101.1	13.1	92.3
Provisions	53.7	34.9	18.8	19.2
Current income tax liability	1.1	-	1.1	9.2
Current portion of long-term bank borrowings	113.5	509.7	(396.2)	378.6
Total current liabilities	**5,172.2**	**2,454.9**	**2,717.3**	**1,528.8**
Total liabilities	**6,256.1**	**2,929.6**	**3,326.5**	**2,301.5**
Total equity and liabilities	**11,623.3**	**7,883.1**	**3,740.2**	**8,061.8**

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

The materiality threshold established internally at the Group level for analysis of main indicators (presented below) is worth RON 68.1 mn., representing 5% of EBITDA.

Non-current assets

The non-current assets increased with RON 911.0 mn. in 2022, or 14.8%, from RON 6,160.9 mn. as of 31 December 2021, to RON 7,072.0 mn. at 31 December 2022, this variation being the cumulated effect of:

- Increase with RON 161.3 mn. of network investments made by distribution subsidiaries (most relevant values of investments and put into function are presented in Appendix 2);
- Positive impact in amount of RON 761.3 mn. from the initial recognition of financial assets related to concession arrangements – non current portion;

Current assets

In 2022, current assets increased by RON 2,829.2 mn. compared to 2021, or 164%, from RON 1,722.2 mn. to RON 4,551.3 mn., this evolution being mainly from:

- value of cash and cash equivalents increased with RON 113.1 mn. mainly as a result of the increase in call deposits from RON 53.9 mn. in 2021 to RON 193.2 mn. in 2022;
- trade receivables have increased with RON 1,121.4 mn. in 2022, mainly due to the supply

segment corellated with the increase in sales;
- subsidies receivables registered in 2022 in amount of RON 1,280.8 mn.;
- other receivables increased with RON 78.7 mn., from RON 48.6 mn. in 2021 to RON 127.3 mn. in 2022.
- initial recognition of financial assets related to concession arrangements – current portion in amount of RON 190.3 mn..

Trade receivables`

Trade receivables increased by RON 1,121.4 mn. or 83.4% during 2022, to RON 2,466.0 mn., from RON 1,344.6 mn. as at 31 December 2021. This variation is generated by increase of sales especially in the supply segment.

Cash and cash equivalents

Cash and cash equivalents include cash balances, call deposits and bank accounts.

Their value increased by RON 113.1 mn. in 2022, or 51.0%, reaching RON 334.9 mn., from RON 221.8 mn. in 2021.

Cash and cash equivalents comprise cash balances, call deposits and deposits with maturities of three months or less from the set-up date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

Table 26. Cash and cash equivalents 2022-2020

(RON mn.)	31 December 2022	31 December 2021	31 December 2020
Bank current accounts	141.7	167.8	179.4
Call deposits	193.2	53.9	391.5
Cash in hand	0.0	0.1	0.1
Total cash and cash equivalents in the consolidated statement of financial position	**334.9**	**221.8**	**570.9**
Overdrafts used for cash management purposes	-	(627.4)	(165.0)
Total cash and cash equivalents in the consolidated statement of cash flows	**334.9**	**(405.6)**	**406.0**

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

Share capital and share premium

The issued share capital in nominal terms consists of 346,443,597 ordinary shares at 31 December 2022 and 2021 with a nominal value of RON 10 per share.

The company recognizes the changes in its share capital only after their approval in the General Meeting of Shareholders and their registration with the Trade Register. Contributions made by the shareholder, which are not registered with the Trade Register at the end of the year, are recognized as "Pre-paid capital contributions in kind from shareholders".

There were no changes in the number of shares in 2022.

Table 27. Number of shares 2022 - 2020

	Number of ordinary shares		
	2022	2021	2020
Number of shares at 1 January	346,443,597	346,443,597	345,939,929
Shares issued during the year	-	-	-
Number of shares at 31 December	**346,443,597**	**346,443,597**	**346,443,597**

Source: Electrica

Revaluation reserves

The reconciliation between the opening balance and the closing balance of the revaluation reserve is presented below:

Table 28. Revaluation reserves 2022-2020 (RON mn.)

	2022	2021	2020
Balance at 1 January	**102.8**	**116.4**	**87.7**
Revaluation surplus of land, land improvements and buildings	-	-	43.8
Release of revaluation reserve to retained earnings corresponding to depreciation and disposals of property, plant and equipment	(10.7)	(13.5)	(7.2)
Deferred tax liability arising on revaluation of land, land improvements and buildings	-	-	(7.9)
Balance at 31 December	**92.1**	**102.8**	**116.4**

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

Legal reserves

The legal reserves are established as 5% of the profit before tax according to the individual statutory financial statements of companies within the Group, until the total legal reserves reach 20% of the paid-up share capital of each company, according to legal provisions. These reserves are deductible for income tax purposes and are not distributable.

Table 29. Legal reserves 2022-2020 (RON mn.)

	Legal reserves
Balance at 1 January 2020	**371.8**
Set-up of legal reserves	20.4
Balance at 31 December 2020	**392.3**
Set-up of legal reserves	16.1
Balance at 31 December 2021	**408.4**
Set-up of legal reserves	21.2
Balance at 31 December 2022	**429.6**

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

Non-current liabilities

The non-current liabilities have considerably increased from RON 474.7 mn. as per 31 December 2021 to the value of RON 1,083.9 mn. as per 31 December 2022.

This evolution is a net effect of the main non-current liabilities categories variation, of which the most significant relates to long-term borrowings, which increased due to withdraws performed in 2022 mainly to finance the group investments.

Current liabilities

In 2022, the current liabilities increased by RON 2,717.3 mn., to RON 5,172.2 mn., from RON 2,454.9 mn. at the end of 2021, mainly because of the changes in the categories listed below.

Current portion of long-term bank borrowings

The current portion of long-term bank borrowings decreased by RON 396.2 mn., following the fulfillment of financial covenants in 2022 (in 2021 not all of them were achieved), therefore the long-term portion was reclassed for the long-term loans from this category.

Overdrafts

The overdrafts considerably increased in 2022 by RON 1,943.6 mn., reaching RON 2,571.0 mn., from RON 627.4 mn. at the end of 2021, as the Group has prefinanced the support scheme according to OUG 27/OUG 119 and had to cover its current activities financing needs.

Trade payables

As of 31 December 2022, the trade payables increased by approx. RON 515.8 mn., to RON 1,407.1 mn., from RON 891.3 mn. at 31 December 2021, mainly due to increase of suppliers' balances following the changes on the electricity market. Electricity suppliers are mainly state-owned electricity producers.

Other payables

As of 31 December 2022, other payables increased by RON 596.3 mn., to RON 867.5 mn., from RON 271.3 mn. at 31 December 2021, of which the VAT to be paid increased in 2022 up to RON 565 mn. from RON 134 mn. in 2021. Also, in other liabilities are included guarantees from customers related to electricity supply.

6.2. Consolidated statement of profit or loss – S-IFRS-EU

The following table presents the consolidated statement of profit or loss of Electrica Group for 2022, 2021 and 2020.

Table 30. Consolidated statement of profit or loss (RON mn.)

	2022	2021	Variation 2022/2021	2020
Revenue	10,009.9	7,178.9	2,831.0	6,501.1
Other income	3,792.5	195.8	3,596.7	165.4
Electricity and natural gas purchased	(10,506.8)	(5,694.7)	(4,812.1)	(3,905.7)
Construction costs related to concession arrangements	(593.5)	(485.8)	(107.7)	(676.0)
Employee benefits	(823.4)	(802.7)	(20.7)	(774.5)
Repairs, maintenance and materials	(88.2)	(102.4)	14.1	(104.6)
Depreciation and amortization	(496.2)	(480.8)	(15.4)	(490.9)
Reversal of impairment/(Impairment) for trade and other receivables, net	(112.3)	(70.6)	(41.7)	62.2
Other operating expenses	(353.0)	(343.2)	(9.8)	(325.1)
Operating profit	**828.9**	**(605.5)**	**1,434.4**	**451.9**
Gain from bargain purchase of subsidiaries*	**-**	**-**	**-**	**7.5**
Finance income	9.7	2.6	7.1	9.7
Finance costs	(174.7)	(29.5)	(145.2)	(26.7)
Net finance cost	**(165.0)**	**(26.9)**	**(138.1)**	**(17.1)**
Profit before tax	**663.9**	**(632.4)**	**1,296.3**	**442.3**
Income tax expense	(105.1)	79.5	(184.6)	(54.8)
Profit for the year	**558.8**	**(552.9)**	**1,111.7**	**387.5**
Earnings per share				
Basic and diluted earnings per share (RON)	**1.65**	**(1.63)**	**-**	**1.14**

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

**the value is included in EBIT, is separated only for disclosure purposes*

The materiality threshold established internally at the Group level for analysis of main indicators (presented below) is worth RON 68.1 mn., representing 5% of EBITDA.

Key financial indicators for 2022 and their y-o-y evolution:

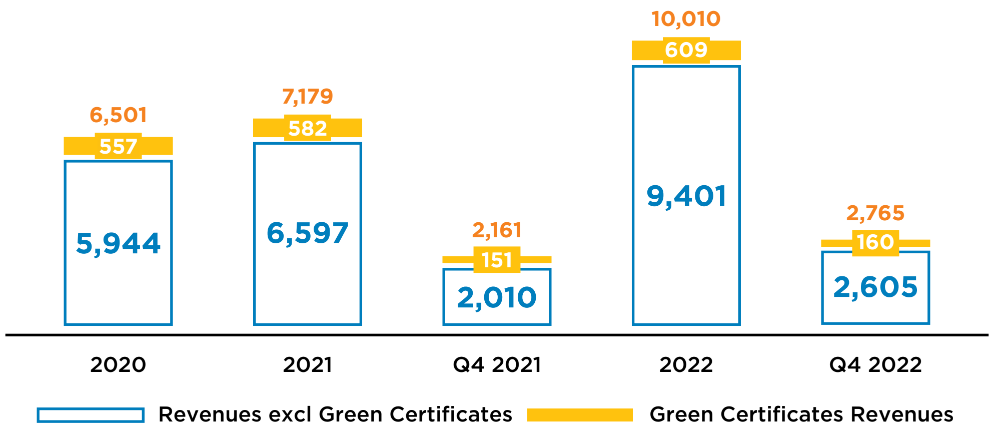
- **Revenues**: **RON 10,009.9 mn.**, an increase of RON 2,831.0 mn., or 39.4%;
- **EBITDA**: profit **RON 1,325.2 mn.**, an increase of RON 1,453.2 mn.;
- **EBIT**: profit **RON 828.9 mn.**, increase by RON 1,434.4 mn.;
- **EBT**: profit **RON 663.9 mn.**, an increase of RON 1,296.3 mn.;
- **Net result**: profit of **RON 558.8 mn.**, increase with RON 1,111.7 mn.

Revenues and other income

In 2022, Electrica recorded total revenues (including other revenues) of RON 13,802.4 mn., increasing by RON 6,427.8 mn. or 87.2%, from RON 7,374.6 mn. in 2021; the variation is generated mainly by the revenues' evolution, and the other operating income.

Revenues

Figure 38: Revenue for 2022/Q4 2022 and comparative information (RON mn.)



Source: Electrica

The revenues increased by RON 2,831.0 mn., or 39.4%, being the net effect of the following main factors:

- increase of RON 2,411.7 mn. on the supply segment;
- RON 427.7 mn. increase of the distribution segment's revenues;
- decrease with RON 16.5 mn. of revenues from energy services;
- increase of RON 8,2 mn. on production of energy segment.

Income from initial recognition of financial assets

On the distribution segment the additional cost of purchasing electricity for covering the own technological consumption of the distribution operators (actual costs with the purchase of electricity for own technological consumption ("NL") coverage compared to the costs included in the regulated tariffs) are recognised as financial asset as part of the concession agreement. Such amounts are guaranteed by the concession agreement which is enforceable by law. The resulting financial assets are presented at the fair value determined as the net present value of the additional costs incurred with the purchase of electricity.

On 31 December 2022, the total value of additional costs with the purchase of electricity incurred between 01 January 2022 and 31 December 2022, in amount of RON 951.6 mn., were recognized as financial asset, as specified in the additional act to the concession contract concluded with the Ministry of Energy on 20 January 2023.

Electricity and natural gas purchased

In 2022, the expense for electricity purchased increased by RON 4,812.1 mn., or 84.5%, to RON 10,506.8 mn., from RON 5,694.7 mn. in the comparative period.

This variation is mainly generated by the increase of electricity costs and natural gas needed for the supply activity and to cover NL, as well as of green certificates cost (pass-through cost).

The table below presents the structure of the electricity purchased expenses for the indicated periods:

Table 31. Electricity and natural gas purchased 2022-2020 (RON mn.)

(RON mn)	2022	2021	Variation 2021/2022	2020
Electricity purchased to cover network losses	1,987.2	1,087.1	900.1	694.0
Electricity and natural gas purchased for supply	7,613.1	3,750.0	3,863.1	2,377.2
Transmission and system services related to supply activities	297.4	275.9	21.5	277.3
Green certificates	609.1	581.7	27.4	557.2
Total electricity and natural gas purchased	**10,506.8**	**5,694.7**	**4,812.1**	**3,905.7**

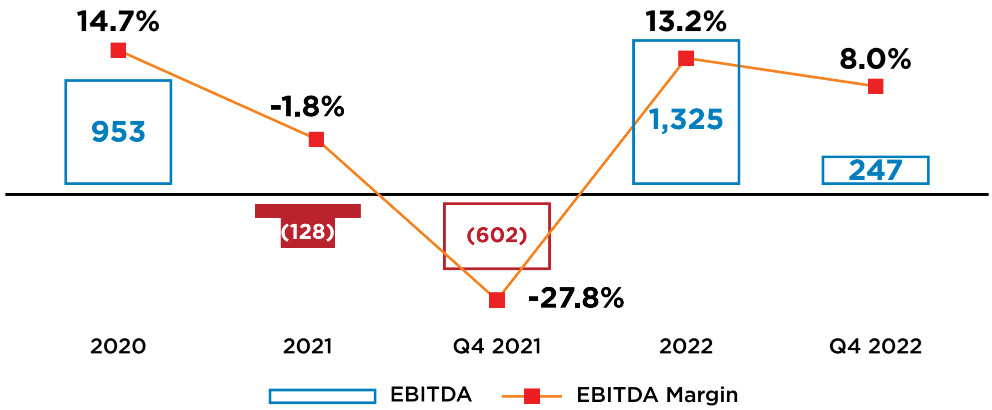
Source: Electrica

Construction costs

In 2022, the network construction costs related to concession arrangements increased by RON 107.7 mn., or 22.2%, to RON 593.5 mn., from RON 485.8 mn. recorded in 2021, being correlated with the evolution of the investments recognizable in RAB realized in 2022, which were at a bigger level compared to 2021.

EBITDA and EBITDA margin

Figure 39: EBITDA and EBITDA margin for 2022/Q4 2022 and comparative information (RON mn. and %)

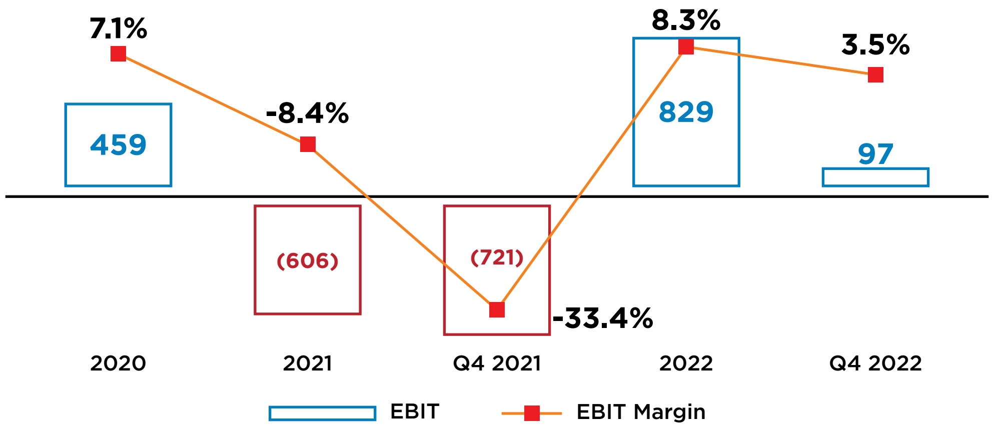


Source: Electrica

Operating profit

The Group EBIT increased by approx. RON 1,434.4 mn. y-o-y, adding to the EBIT evolution mainly the favorable impact of the initial recognition of financial assets rising from concession agreements amendments capitalization of NL in amount of RON 951.6 mn..

Figure 40: EBIT and EBIT margin for 2022/Q4 2022 and comparative information (RON mn. and %)



Source: Electrica

Net finance cost

The net finance cost (loss) at group level increased by RON 138.1 mn. in 2022 compared to 2021, as a result of the increase in external financing, but also from the reduction in finance income, following the deposits' decrease.

Profit before tax

The Group has registered a gross profit of RON 663.9 mn. in 2022, compared with the gross loss of RON 632.4 mn. in 2021, following the factors mentioned above.

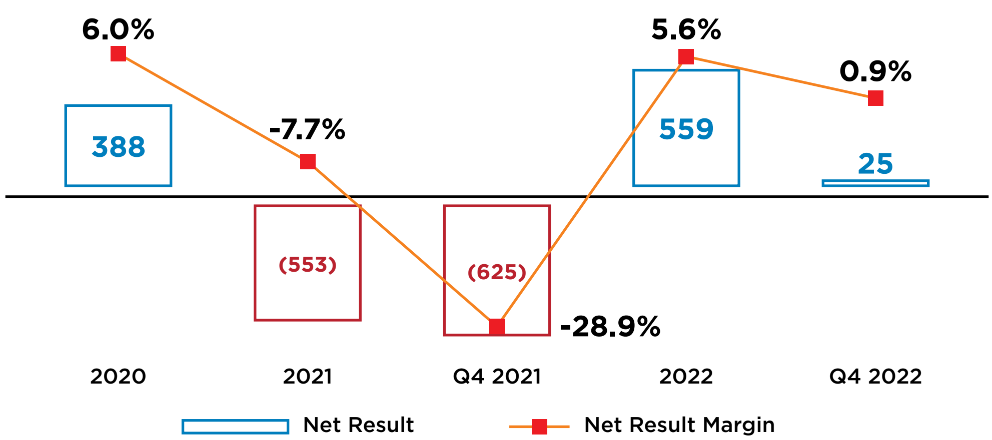
Income tax expense

The tax on income was an expense of RON 105.1 mn. in 2022, generated by the incurred gross profit.

Net result for the year

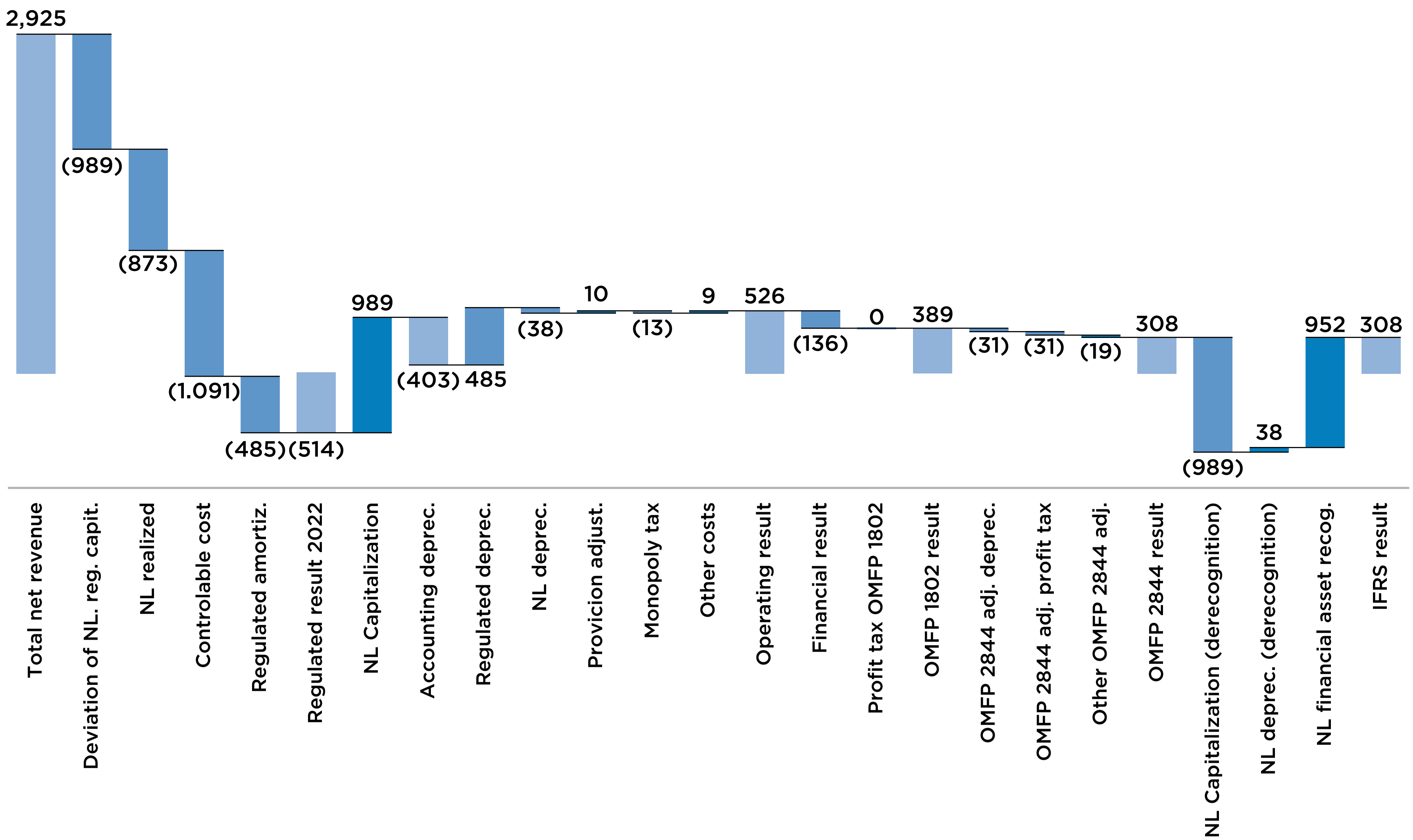
As a result of the above-described factors, in 2022, the net result is a profit of RON 558.8 mn., representing an increase of RON 1,111.7 mn. compared to RON 552.9 mn. (loss) in 2021.

Figure 41: Net profit and Net profit margin for 2022/Q4 2022 and comparative information (RON mn. and %)



Source: Electrica

Figure 42: Analysis of net regulated result –OMFP 1802/2014 – OMFP 2844/2016 - IFRS-EU - for distribution segment 2022 (RON mn.)



Source: Electrica

The negative regulated result of RON (513) mn. does not include the effect of initial recognition of financial assets rising from concession agreements amendments of the negative deviation of the NL cost - in net realized values of RON 952 mn., determined for the amount of NL realized in 2022 of 1,883 GWh, and the price difference of 597 RON/MWh, resulted as the difference between the average purchase price achieved, of 989 RON/MWh, and 392 RON/MWh, the price effectively recognized in the tariffs by ANRE, motivated by the limitations of tariff increases. The additional cost with NL compared to the cost recognized in capitalized tariffs for the year 2022, in the amount of RON 989 mn., was determined using recognized quantities for the year 2022, according to the provisions of ANRE Order no. 129/2022.

6.3. Consolidated cash flow statement – S-IFRS-EU

The following table presents the consolidated statement of cash flows of Electrica Group for 2022, 2021 and 2020.

Table 32. Consolidated cash flow statement (RON mn.)

	2022	2021	Variation 2022/2021	2020
Cash flows from operating activities				
Profit for the year	**558.8**	**(552.9)**	**1,111.7**	**387.5**
Adjustments for:				
Depreciation	19.9	21.1	(1.2)	27.9
Amortization	476.5	459.7	16.5	463.1
Other income from initial recognition of financial assets rising from concession agreements amendments	(951.6)	-	(951.6)	-
Impairment of property, plant and equipment and intangible assets, net	(0.0)	(3.9)	3.9	0.6
Loss on disposal of property, plant and equipment and intangible assets	(0.4)	2.7	(3.0)	(0.3)
Evaluation of fixed assets recognized in profit, net	-	-	-	2.4
(Reversal of impairment)/Impairment of trade and other receivables, net	112.3	70.6	41.7	(62.2)
(Reversal of impairment)/Impairment of assets held for sale	-	0.6	(0.6)	(0.2)
Change in provisions, net	18.8	15.7	3.1	(0.3)
Net finance cost	165.0	26.9	138.1	17.1
Changes in employee benefits obligations	(4.4)	5.1	(9.4)	-
Gain from bargain acquisition of subsidiaries	-	-	-	(7.5)
Corporate income tax expense	105.1	(79.5)	184.6	54.8
	500.1	**(34.0)**	**534.1**	**882.9**
Changes in:				
Trade receivables	(1,286.7)	(391.4)	(895.3)	(87.2)
Other receivables	(138.3)	(22.9)	(115.4)	3.8
Prepayments	(8.8)	(2.2)	(6.6)	0.6
Inventories	(41.0)	(2.9)	(38.1)	4.3
Trade payables	494.6	274.8	219.8	(76.0)
Other payables	722.4	32.5	689.9	(2.3)
Employee benefits	(6.5)	3.2	(9.6)	14.7
Deferred revenue	15.1	4.0	11.1	(1.3)
Subsidies receivables	(1,280.8)	-	(1,280.8)	-
Cash generated from operating activities	**(1,030.0)**	**(138.9)**	**(891.1)**	**739.5**

	2022	2021	Variation 2022/2021	2020
Interest paid	(149.4)	(24.1)	(125.3)	(19.9)
Income tax paid	(1.2)	(31.4)	30.1	(51.7)
Net cash from operating activities	**(1,180.6)**	**(194.4)**	**(986.2)**	**667.9**
Cash flows from investing activities				
Payments for purchases of property, plant and equipment	(8.3)	(10.5)	2.2	(6.7)
Payments for network construction related to concession agreements	(537.8)	(483.9)	(54.0)	(638.0)
Payments for purchase of other intangible assets	(7.8)	(6.3)	(1.5)	(2.2)
Proceeds from sale of property, plant and equipment	0.6	1.5	(0.9)	5.0
Proceeds from deposits with maturity of 3 months or longer	-	-	-	66.4
Interest received	2.8	1.8	1.1	9.0
Restricted cash	-	320.0	(320.0)	-
Net cash effect from gain of control over the acquired subsidiary	-	-	-	5.6
Payment for acquisition of associated	(0.0)	(25.8)	25.8	-
Payment for acquisition of subsidiaries	(4.5)	-	(4.5)	(8.0)
Net cash used in investing activities	**(554.9)**	**(203.2)**	**(351.7)**	**(568.9)**
Cash flows from financing activities				
Proceeds from long term bank borrowings	217.6	234.7	(17.1)	354.3
Proceeds from overdrafts	1,900.4	-	1,900.4	-
Repayment of long term bank loans	(92.9)	(385.9)	292.9	(29.1)
Payment of lease liabilities	(24.2)	(15.2)	(8.9)	(29.3)
Dividends paid	(152.3)	(247.6)	95.3	(245.8)
Net cash from/(used in) financing activities	**1,848.6**	**(414.0)**	**2,262.6**	**50.1**
Net (decrease)/increase in cash and cash equivalents	**113.1**	**(811.5)**	**924.6**	**149.1**
Cash and cash equivalents at 1 January	(405.6)	406.0	(811.5)	256.9
Overdrafts used for cash management purposes	627.4	-	627.4	-
Cash and cash equivalents at 31 December	**334.9**	**(405.6)**	**740.5**	**406.0**

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

The materiality threshold established internally at the Group level for analysis of main indicators (presented below) is worth RON 68.1 mn., representing 5% of EBITDA.

In 2022, the net increase in cash and cash equivalents amounted to RON 113.1 mn.

The net cash generated by the operating activity was loss of RON (1,180.6) mn. The net profit of the period was RON 558.8 mn.; the main net profit's adjustments for non-monetary elements were: eliminating the NL additional costs amounting to RON 951.6 mn., adding the depreciation and amortization of RON 496.2 mn., eliminating the impact of the impairment of trade receivables of RON 112.3 mn., adding the income tax of RON 105.1 mn. and the net finance cost of RON 165.0 mn.

Changes in working capital had a negative effect, of RON 1,030.0 mn., the most significant impact being generated by the negative change in trade and other receivables, in the amount of RON 1,425.1 mn., in trade and other payables of RON 1,210.6 mn. (out of which, the change in employee benefits of RON 6.5 mn., having a negative impact) and in subsidies receivables in amount of RON 1,280.8 mn.. Income tax paid and interest paid amounted to RON 150.6 mn.

For the investment activity, the cash used was of RON 554.9 mn., the most significant values being related to the payments for the construction and rehabilitation of RON 537.8 mn., these being increased y-o-y with RON 54.0 mn..

The financing activity generated a decrease in cash and cash equivalents of RON 2,262.6 mn., the main factors being the proceeds from long term bank borrowings of RON 217.6 mn., proceeds from overdrafts of RON 1,900.4 mn., reimbursement of loans of RON 92.9 mn. and the dividends paid to the shareholders, of RON 152.3 mn.

In 2021, the net decrease in cash and cash equivalents amounted to RON 811.5 mn.

The net cash generated by the operating activity was loss of RON (194.4) mn. The net loss of the period was RON (522.9) mn; the main net profit's adjustments for non-monetary elements were: adding the depreciation and amortization of RON 480.8 mn, eliminating the impact of the impairment of trade receivables of RON 70.6 mn, adding the income tax of RON 79.5 mn and the net finance cost of RON 26.9 mn.

Changes in working capital had a negative effect, of RON 138.9 mn, the most significant impact being generated by the negative change in trade and other receivables, in the amount of RON 414.3 mn, and in trade and other payables of RON 314.5 mn (out of which, the change in employee benefits of RON 3.2 mn, having a positive impact). Income tax paid and interest paid amounted to RON 55.5 mn.

For the investment activity, the cash used was of RON 203.2 mn, the most significant values being related to the payments for the network construction in connection with the concession agreements of RON 483.9 mn, these being reduced y-o-y, but also to the investments in associates of RON 25.8 mn.

The financing activity generated a decrease in cash and cash equivalents of RON 414.0 mn, the main factors being the proceeds from long term bank borrowings of RON 234.7 mn, reimbursement of loans of RON 385.9 mn and the dividends paid to the shareholders, of RON 247.6 mn.

6.4. Consolidated statement of the financial position - S-OMFP 2844/2016

The following table presents the consolidated statement of the financial position.

Tabel 33. Consolidated statement of the financial position 2022-2020 (RON. mn)

	31 December 2022	31 December 2021	Variation 2022/2021 abs	31 December 2020
ASSETS				
Non-current assets				
Intangible assets related to concession agreements	5,675.9	5,514.6	161.3	5,455.2
Intangible assets related to NL capitalization	951.6	-	951.6	-
Goodwill	12.0	-	12.0	-
Other intangible assets	12.9	9.0	3.9	7.2
Property, plant and equipment	499.4	505.4	(6.0)	508.1

	31 December 2022	31 December 2021	Variation 2022/2021 abs	31 December 2020
Investments in associates	18.8	25.8	(7.0)	-
Other investments	7.0	-	7.0	-
Deferred tax assets	30.2	83.5	(53.4)	19.7
Other non-current assets	2.4	1.7	0.7	1.2
Right of use assets	52.2	20.9	31.2	27.1
Total non-current assets	**7,262.3**	**6,160.9**	**1,101.4**	**6,018.5**
Current assets				
Trade receivables	2,466.0	1,344.6	1,121.4	1,029.8
Other receivables	127.3	48.6	78.7	32.5
Cash and cash equivalents	334.9	221.8	113.1	570.9
Restricted cash	-	-	-	320.0
Subsidies receivables	1,280.8	-	1,280.8	-
Inventories	114.0	73.0	41.0	70.1
Prepayments	13.9	5.0	8.8	2.8
Current income tax receivable	24.0	23.8	0.2	1.8
Assets held for sale	0.2	5.4	(5.1)	15.5
Total current assets	**4,361.1**	**1,722.2**	**2,638.8**	**2,043.4**
Total assets	**11,623.3**	**7,883.1**	**3,740.2**	**8,061.8**
EQUITY AND LIABILITIES				
Equity				
Share capital	3,464.4	3,464.4	-	3,464.4
Share premium	103.0	103.0	-	103.0
Treasury shares reserves	(75.4)	(75.4)	-	(75.4)
Revaluation reserve	92.1	102.8	(10.7)	116.4
Legal reserves	429.6	408.4	21.2	392.3
Retained earnings	1,353.9	950.2	403.7	1,759.6
Total equity attributable to shareholders of the Company	**5,367.8**	**4,953.6**	**414.2**	**5,760.3**
Non-controlling interests	(0.5)	-	(0.5)	-
Total equity attributable to shareholders of the Company	**5,367.2**	**4,953.6**	**413.7**	**5,760.3**
Liabilities				
Non-current liabilities				
Lease liability – long term	34.5	12.1	22.4	16.9
Deferred tax liabilities	212.6	161.9	50.6	177.8
Employee benefits	117.3	149.2	(32.0)	143.9
Other liabilities	72.4	32.7	39.7	33.9
Long-term bank borrowings	647.2	118.8	528.4	400.3
Total non-current liabilities	**1,083.9**	**474.7**	**609.2**	**772.7**
Current liabilities				
Lease liability – short term	19.2	9.4	9.8	10.7
Bank overdrafts	2,571.0	627.4	1,943.6	165.0
Trade payables	1,407.1	891.3	515.8	607.2
Other payables	867.5	271.3	596.3	240.9
Deferred revenue	24.8	9.7	15.1	5.6
Employee benefits	114.2	101.1	13.1	92.3
Provisions	53.7	34.9	18.8	19.2
Current income tax liability	1.1	-	1.1	9.2

	31 December 2022	31 December 2021	Variation 2022/2021 abs	31 December 2020
Current portion of long-term bank borrowings	113.5	509.7	(396.2)	378.6
Total current liabilities	**5,172.2**	**2,454.9**	**2,717.3**	**1,528.8**
Total liabilities	**6,256.1**	**2,929.6**	**3,326.5**	**2,301.5**
Total equity and liabilities	**11,623.3**	**7,883.1**	**3,740.2**	**8,061.8**

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

The materiality threshold established internally at the Group level for analysis of main indicators (presented below) is worth RON 68.1 mn., representing 5% of EBITDA.

Non-current assets

The non-current assets increased with RON 1,101.4 mn. in 2022, or 17.9%, from RON 6,160.9 mn. as of 31 December 2021, to RON 7,262.3 mn. at 31 December 2022, this variation being the cumulated effect of:

- Increase with RON 161.3 mn. of network investments made by distribution subsidiaries (most relevant values of investments and put into function are presented in Appendix 2);
- Positive impact in amount of RON 951.6 mn. from de capitalization of additional costs with own technological consumption;

Current assets

In 2022, current assets increased by RON 2,638.8 mn. compared to 2021, or 153.2%, from RON 1,722.2 mn. to RON 4,361.1 mn., this evolution being mainly from:

- Value of cash and cash equivalents increased with RON 113.1 mn. mainly as a result of the increase in call deposits from RON 53.9 mn. in 2021 to RON 193.2 mn. in 2022;
- trade receivables have increased with RON 1,121.4 mn. in 2022, mainly due to the supply segment corellated with the increase in sales;
- subsidies receivables registered in 2022 in amount of RON 1,280.8 mn.;
- other receivables increased with RON 78.7 mn., from RON 48.6 mn. in 2021 to RON 127.3 mn. in 2022.

Trade receivables

Trade receivables increased by RON 1,121.4 mn. or 83.4% during 2022, to RON 2,466.0 mn., from RON 1,344.6 mn. as at 31 December 2021. This variation is generated by increase of sales especially in the supply segment.

Cash and cash equivalents

Cash and cash equivalents include cash balances, call deposits and bank accounts.

Their value increased by RON 113.1 mn. in 2022, or 51.0%, reaching RON 334.9 mn., from RON 221.8 mn. in 2021.

Cash and cash equivalents comprise cash balances, call deposits and deposits with maturities of three months or less from the set-up date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

Tabel 34. Cash and cash equivalents 2022-2020

(RON mn.)	31 December 2022	31 December 2021	31 December 2020
Bank current accounts	141.7	167.8	179.4
Call deposits	193.2	53.9	391.5
Cash in hand	0.0	0.1	0.1
Total cash and cash equivalents in the consolidated statement of financial position	**334.9**	**221.8**	**570.9**

(RON mn.)	31 December 2022	31 December 2021	31 December 2020
Overdrafts used for cash management purposes	-	(627.4)	(165.0)
Total cash and cash equivalents in the consolidated statement of cash flows	**334.9**	**(405.6)**	**406.0**

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

Share capital and share premium

The issued share capital in nominal terms consists of 346,443,597 ordinary shares at 31 December 2022 and 2021 with a nominal value of RON 10 per share.

The company recognizes the changes in its share capital only after their approval in the General Meeting of Shareholders and their registration with the Trade Register. Contributions made by the shareholder, which are not registered with the Trade Register at the end of the year, are recognized as "Pre-paid capital contributions in kind from shareholders".

There were no changes in the number of shares in 2022.

Tabel 35. Number of shares 2022 - 2020

	Number of ordinary shares		
	2022	2021	2020
Number of shares at 1 January	346,443,597	346,443,597	345,939,929
Shares issued during the year	-	-	-
Number of shares at 31 December	**346,443,597**	**346,443,597**	**346,443,597**

Source: Electrica

Revaluation reserves

The reconciliation between the opening balance and the closing balance of the revaluation reserve is presented below:

Tabel 36. Revaluation reserves 2022-2020 (RON mn.)

	2022	2021	2020
Balance at 1 January	**102.8**	**116.4**	**87.7**
Revaluation surplus of land, land improvements and buildings	-	-	43.8
Release of revaluation reserve to retained earnings corresponding to depreciation and disposals of property, plant and equipment	(10.7)	(13.5)	(7.2)
Deferred tax liability arising on revaluation of land, land improvements and buildings	-	-	(7.9)
Balance at 31 December	**92.1**	**102.8**	**116.4**

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

Legal reserves

The legal reserves are established as 5% of the profit before tax according to the individual statutory financial statements of companies within the Group, until the total legal reserves reach 20% of the paid-up share capital of each company, according to legal provisions. These reserves are deductible for income tax purposes and are not distributable.

Tabel 37. Legal reserves 2022-2020 (RON mn.)

	Legal reserves
Balance at 1 January 2020	**371.8**
Set-up of legal reserves	20.4
Balance at 31 December 2020	**392.3**

	Legal reserves
Set-up of legal reserves	16.1
Balance at 31 December 2021	**408.4**
Set-up of legal reserves	21.2
Balance at 31 December 2022	**429.6**

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

Non-current liabilities

The non-current liabilities have considerably increased from RON 474.7 mn. as per 31 December 2021 to the value of RON 1,083.9 mn. as per 31 December 2022.

This evolution is a net effect of the main non-current liabilities categories variation, of which the most significant relates to long-term borrowings, which increased due to withdraws performed in 2022 mainly to finance the group investments.

Current liabilities

In 2022, the current liabilities increased by RON 2,717.3 mn., to RON 5,172.2 mn., from RON 2,454.9 mn. at the end of 2021, mainly because of the changes in the categories listed below.

Current portion of long-term bank borrowings

The current portion of long-term bank borrowings decreased by RON 396.2 mn., following the fulfillment of financial covenants in 2022 (in 2021 not all of them were achieved), therefore the long-term portion was reclassed for the long-term loans from this category.

Overdrafts

The overdrafts considerably increased in 2022 by RON 1,943.6 mn., reaching RON 2,571.0 mn., from RON 627.4 mn. at the end of 2021, as the Group has prefinanced the support scheme according to OUG 27/OUG 119 and had to cover its current activities financing needs.

Trade payables

As of 31 December 2022, the trade payables increased by approx. RON 515.8 mn., to RON 1,407.1 mn., from RON 891.3 mn. at 31 December 2021, mainly due to increase of suppliers' balances following the changes on the electricity market. Electricity suppliers are mainly state-owned electricity producers.

Other payables

As of 31 December 2022, other payables increased by RON 596.3 mn., to RON 867.5 mn., from RON 271.3 mn. at 31 December 2021, of which the VAT to be paid increased in 2022 up to RON 565 mn. from RON 134 mn. in 2021. Also, in other liabilities are included guarantees from customers related to electricity supply.

6.5. Consolidated statement of profit or loss - S-OMFP 2844/2016

The following table presents the consolidated statement of profit or loss of Electrica Group for 2022, 2021 and 2020.

Tabel 38. Consolidated statement of profit or loss (RON mn.)

	2022	2021	Variation 2022/2021	2020
Revenue	10,009.9	7,178.9	2,831.0	6,501.1
Other income	2,841.0	195.8	2,645.2	165.4
Capitalised costs of intangible non-current assets	989.3	-	989.3	-
Electricity and natural gas purchased	(10,506.8)	(5,694.7)	(4,812.1)	(3,905.7)

	2022	2021	Variation 2022/2021	2020
Construction costs related to concession arrangements	(593.5)	(485.8)	(107.7)	(676.0)
Employee benefits	(823.4)	(802.7)	(20.7)	(774.5)
Repairs, maintenance and materials	(88.2)	(102.4)	14.2	(104.6)
Depreciation and amortization	(534.0)	(480.8)	(53.2)	(490.9)
Reversal of impairment/(Impairment) for trade and other receivables, net	(112.3)	(70.6)	(41.7)	62.2
Other operating expenses	(353.0)	(343.2)	(9.8)	(325.1)
Operating profit	**828.9**	**(605.5)**	**1,434.4**	**451.9**
Gain from bargain purchase of subsidiaries*	**-**	**-**	**-**	**7.5**
Finance income	9.7	2.6	7.1	9.7
Finance costs	(174.7)	(29.5)	(145.2)	(26.7)
Net finance cost	**(165.0)**	**(26.9)**	**(138.1)**	**(17.1)**
Profit before tax	**663.9**	**(632.4)**	**1,296.3**	**442.3**
Income tax expense	(105.1)	79.5	(184.6)	(54.8)
Profit for the year	**558.8**	**(552.9)**	**1,111.7**	**387.5**
Earnings per share				
Basic and diluted earnings per share (RON)	**1.65**	**(1.63)**	**-**	**1.14**

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

**the value is included in EBIT, is separated only for disclosure purposes*

The materiality threshold established internally at the Group level for analysis of main indicators (presented below) is worth RON 68.1 mn., representing 5% of EBITDA.

Key financial indicators for 2022 and their y-o-y evolution:

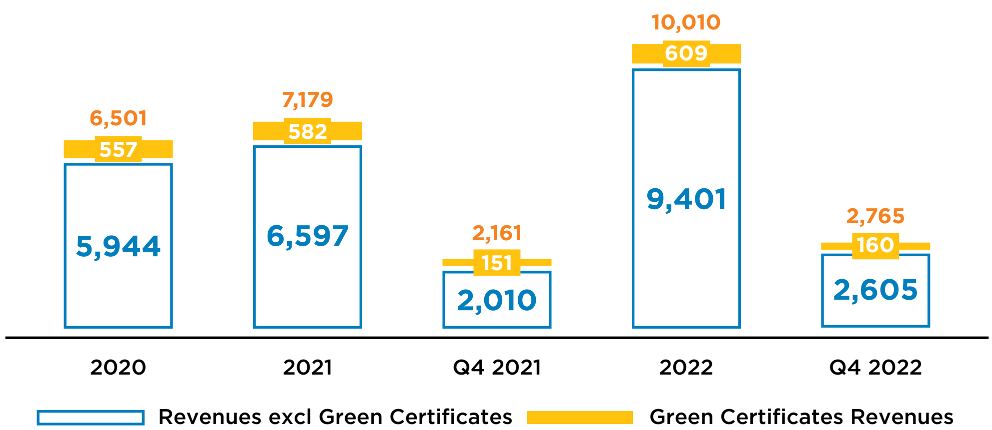
- **Revenues**: **RON 10,009.9 mn.**, an increase of RON 2,831.0 mn., or 39.4%;
- **EBITDA**: profit **RON 1,362.9 mn.**, an increase of RON 1,490.9 mn.;
- **EBIT**: profit **RON 828.9 mn.**, increase by RON 1,434.4 mn.;
- **EBT**: profit **RON 663.9 mn.**, an increase of RON 1,296.3 mn.;
- **Net result**: profit of **RON 558.8 mn.**, increase with RON 1,111.7 mn.

Revenues and other income

In 2022, Electrica recorded total revenues (including other income) of RON 12,850.9 mn., increasing by RON 5,476.2 mn. or 74.3%, from RON 7,374.6 mn. in 2021; the variation is generated mainly by the revenues' evolution, and the other operating income.

Revenues

Figure 43: Revenue for 2022/Q4 2022 and comparative information (RON mn.)



Source: Electrica

The revenues increased by RON 2,831.0 mn., or 39.4%, being the net effect of the following main factors:

- increase of RON 2,411.7 mn. on the supply segment;
- RON 427.7 mn. increase of the distribution segment's revenues;
- decrease with RON 16.5 mn. of revenues from energy services;
- increase of RON 8,2 mn. on production of energy segment.

Income from the production of intangible assets

On the distribution segment of the capitalization of additional costs with the purchase of electricity in the amount of RON 989.3 mn. (between the purchase price of electricity for own technological consumption versus the ex-ante purchase price recognized by ANRE in the related regulated tariffs 2022), realized in 2022, in order to cover own technological consumption (NL).

The capitalization of the additional cost with the purchase of electricity made in 2022 in order to cover NL compared to the costs included in the approved tariffs for 2022 is provided by GEO 119/2022, for the modification and completion of GEO no. 27/2022, and ANRE Order no. 129/2022 approving the Methodological Norms regarding the recognition in tariffs of additional costs with the purchase of electricity to cover own technological consumption compared to the costs included in the regulated tariffs published in MO 1019/19 October 2022.

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 (RRR) approved by ANRE, applicable during the amortization period of those costs. These are recognized as a distinct component in the regulated tariffs, called the component related to additional costs with NL.

During 2022, the additional expenses for actual energy costs as compared with the ex-ante ANRE prices recognised in distribution tariffs are capitalised as intangible assets. These costs will be recuperated in tariffs in 5 years.

The capitalised costs with own technological consumption are recognized for each network distribution area, the first asset being recorded on 30 September 2022 and the second one on 31 December 2022, is summarized below.

Tabel 39. NL - intangible assets 2022 (RON mn.)

Network distribution areas	Intangible asset 01 Jan-30 Sep 2022 (gross value)	Intangible asset 01 Oct-31 Dec 2022 (gross value)	Amortisation during 2022	Net carrying amount at 31 December 2022
Muntenia Nord area	302.4	87.3	15.1	374.6
Transilvania Nord area	258.5	84.3	12.9	329.9
Transilvania Sud area	193.9	62.8	9.7	247.0
Total	**754.8**	**234.5**	**37.7**	**951.6**

Source: Electrica

Also, from the point of view of the financial treatment applicable to the difference from NL, it was published in MOf no. 1023 of 20 October 2022 OMFP no. 3900/19 October 2022, which brings accounting clarifications to the accounting regulations in force, supplementing OMFP 1802/2014 as well as OMFP 2844/2016, thus the difference from NL will be reflected by the capitalization of some (intangible) assets in the form of intangible assets, in correspondence with other incomes (incomes from the production of intangible assets).

Electricity and natural gas purchased

In 2022, the expense for electricity purchased increased by RON 4,812.1 mn., or 84.5%, to RON 10,506.8 mn., from RON 5,694.7 mn. in the comparative period.

This variation is mainly generated by the increase of electricity costs and natural gas needed for the supply activity and to cover NL, as well as of green certificates cost (pass-through cost).

The table below presents the structure of the electricity purchased expenses for the indicated periods:

Tabel 40. Electricity and natural gas purchased 2022-2020 (RON mn.)

(RON mn)	2022	2021	Variation 2021/2022	2020
Electricity purchased to cover network losses	1,987.2	1,087.1	900.1	694.0
Electricity and natural gas purchased for supply	7,613.1	3,750.0	3,863.1	2,377.2
Transmission and system services related to supply activities	297.4	275.9	21.5	277.3
Green certificates	609.1	581.7	27.4	557.2
Total electricity and natural gas purchased	**10,506.8**	**5,694.7**	**4,812.1**	**3,905.7**

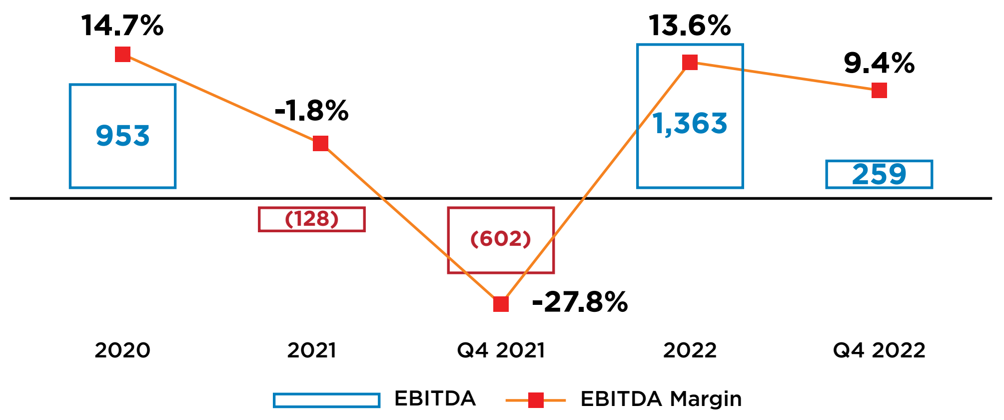
Source: Electrica

Construction costs

In 2022, the network construction costs related to concession arrangements increased by RON 107.7 mn., or 22.2%, to RON 593.5 mn., from RON 485.8 mn. recorded in 2021, being correlated with the evolution of the investments recognizable in RAB realized in 2022, which were at a bigger level compared to 2021.

EBITDA and EBITDA margin

Figure 44: EBITDA and EBITDA margin for 2022/Q4 2022 and comparative information (RON mn. and %)

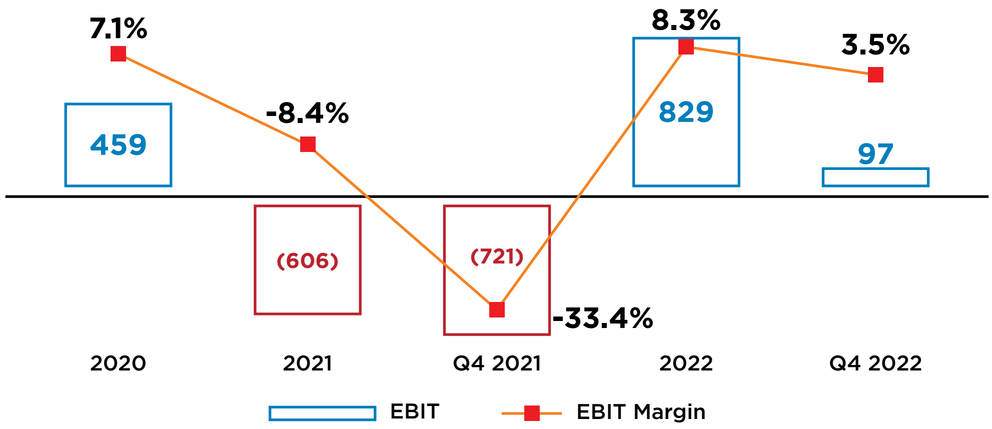


Source: Electrica

Operating profit

The Group EBIT increased by approx. RON 1,434.4 mn. y-o-y, adding to the EBIT evolution mainly the favorable impact of the capitalization of NL in amount of RON 989.3 mn..

Figure 45: EBIT and EBIT margin for 2022/Q4 2022 and comparative information (RON mn. and %)



Source: Electrica

Net finance cost

The net finance cost (loss) at group level increased by RON 138.1 mn. in 2022 compared to 2021, as a result of the increase in external financing, but also from the reduction in finance income, following the deposits' decrease.

Profit before tax

The Group has registered a gross profit of RON 663.9 mn. in 2022, compared with the gross loss of RON 632.4 mn. in 2021, following the factors mentioned above.

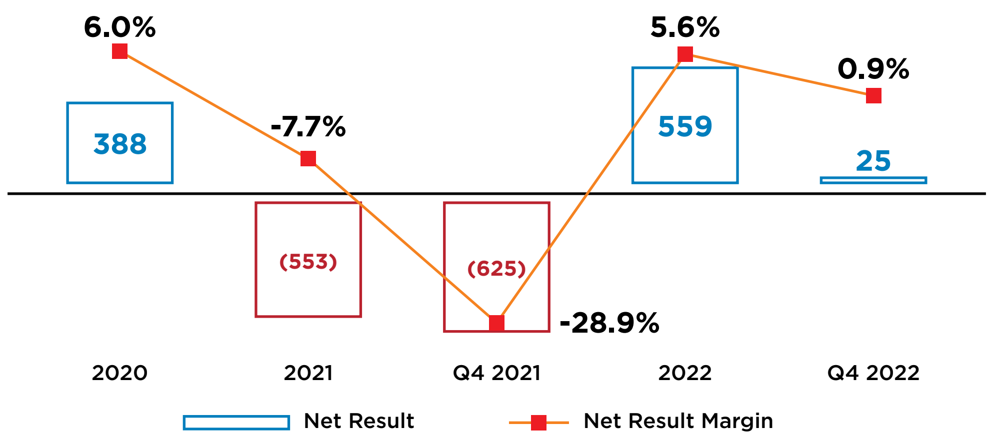
Income tax expense

The tax on income was an expense of RON 105.1 mn. in 2022, generated by the incurred gross profit.

Net result for the year

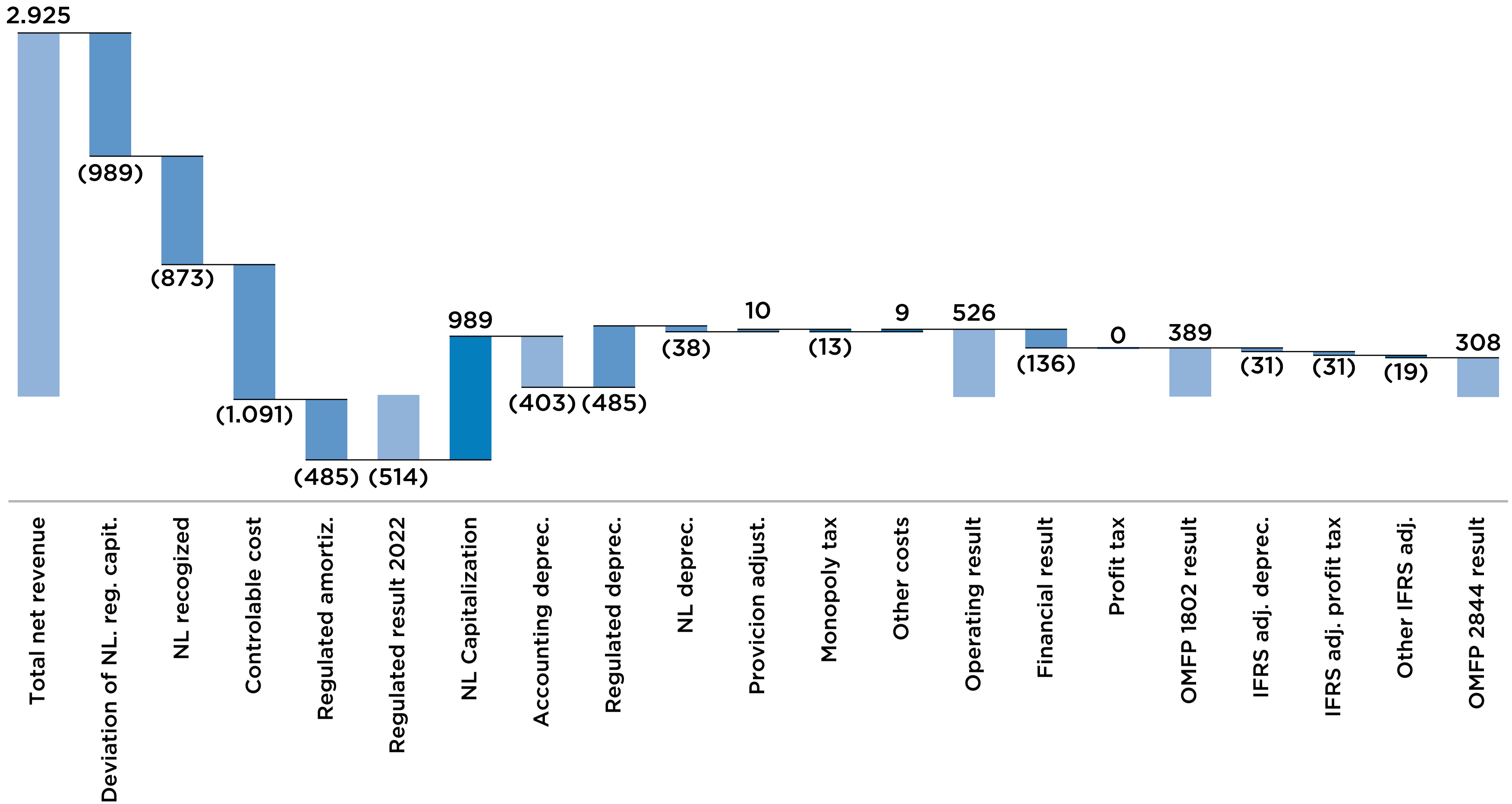
As a result of the above-described factors, in 2022, the net result is a profit of RON 558.8 mn., representing an increase of RON 1,111.7 mn. compared to RON 552.9 mn. (loss) in 2021.

Figure 46: Net profit and Net profit margin for 2022/Q4 2022 and comparative information (RON mn. and %)



Source: Electrica

Figure 47: Analysis of net regulated result –OMFP 1802/2014 – OMFP 2844/2016 - for distribution segment 2022 (RON mn.)



Source: Electrica

The negative regulated result of RON (513) mn. does not include the effect of the capitalization of the negative deviation of the NL cost - in actual values this was RON 989 mn., determined for the amount of NL realized in 2022 of 1,883 GWh, and the price difference of 597 RON/MWh, resulted as the difference between the average purchase price achieved, of 989 RON/MWh, and 392 RON/MWh, the price effectively recognized in the tariffs by ANRE, motivated by the limitations of tariff increases. The additional cost with NL compared to the cost recognized in capitalized tariffs for the year 2022, in the amount of RON 989 mn., was determined using recognized quantities for the year 2022, according to the provisions of ANRE Order no. 129/2022.

6.6. Consolidated cash flow statement - S-OMFP 2844/2016

The following table presents the consolidated statement of cash flows of Electrica Group for 2022, 2021 and 2020.

Tabel 41. Consolidated cash flow statement (RON mn.)

	2022	2021	Variation 2022/2021	2020
Cash flows from operating activities				
Profit for the year	**558.8**	**(552.9)**	**1,111.7**	**387.5**
Adjustments for:				
Depreciation	19.9	21.1	(1.2)	27.9
Amortization	514.2	459.7	54.5	463.1
Capitalised costs of intangible non-current assets	(989.3)	-	(989.3)	-
Impairment of property, plant and equipment and intangible assets, net	(0.0)	(3.9)	3.9	0.6
Loss on disposal of property, plant and equipment and intangible assets	(0.4)	2.7	(3.0)	(0.3)
Evaluation of fixed assets recognized in profit, net	-	-	-	2.4
(Reversal of impairment)/Impairment of trade and other receivables, net	112.3	70.6	41.7	(62.2)
(Reversal of impairment)/Impairment of assets held for sale	-	0.6	(0.6)	(0.2)
Change in provisions, net	18.8	15.7	3.1	(0.3)
Net finance cost	165.0	26.9	138.1	17.1
Changes in employee benefits obligations	(4.4)	5.1	(9.4)	-
Gain from bargain acquisition of subsidiaries	-	-	-	(7.5)
Corporate income tax expense	105.1	(79.5)	184.6	54.8
	500.1	**(34.0)**	**534.1**	**882.9**
Changes in:				
Trade receivables	(1,286.7)	(391.4)	(895.3)	(87.2)
Other receivables	(138.3)	(22.9)	(115.4)	3.8
Prepayments	(8.8)	(2.2)	(6.6)	0.6
Inventories	(41.0)	(2.9)	(38.1)	4.3
Trade payables	494.6	274.8	219.8	(76.0)
Other payables	722.4	32.5	689.9	(2.3)
Employee benefits	(6.5)	3.2	(9.6)	14.7
Deferred revenue	15.1	4.0	11.1	(1.3)
Subsidies receivables	(1,280.8)	-	(1,280.8)	-
Cash generated from operating activities	**(1,030.0)**	**(138.9)**	**(891.1)**	**739.5**
Interest paid	(149.4)	(24.1)	(125.3)	(19.9)
Income tax paid	(1.2)	(31.4)	30.1	(51.7)
Net cash from operating activities	**(1,180.6)**	**(194.4)**	**(986.2)**	**667.9**

	2022	2021	Variation 2022/2021	2020
Cash flows from investing activities				
Payments for purchases of property, plant and equipment	(8.3)	(10.5)	2.2	(6.7)
Payments for network construction related to concession agreements	(537.8)	(483.9)	(54.0)	(638.0)
Payments for purchase of other intangible assets	(7.8)	(6.3)	(1.5)	(2.2)
Proceeds from sale of property, plant and equipment	0.6	1.5	(0.9)	5.0
Proceeds from deposits with maturity of 3 months or longer	-	-	-	66.4
Interest received	2.8	1.8	1.1	9.0
Restricted cash	-	320.0	(320.0)	-
Net cash effect from gain of control over the acquired subsidiary	-	-	-	5.6
Payment for acquisition of associated	(0.0)	(25.8)	25.8	-
Payment for acquisition of subsidiaries	(4.5)	-	(4.5)	(8.0)
Net cash used in investing activities	**(554.9)**	**(203.2)**	**(351.7)**	**(568.9)**
Cash flows from financing activities				
Proceeds from long term bank borrowings	217.6	234.7	(17.1)	354.3
Proceeds from overdrafts	1,900.4	-	1,900.4	-
Repayment of long term bank loans	(92.9)	(385.9)	292.9	(29.1)
Payment of lease liabilities	(24.2)	(15.2)	(8.9)	(29.3)
Dividends paid	(152.3)	(247.6)	95.3	(245.8)
Net cash from/(used in) financing activities	**1,848.6**	**(414.0)**	**2,262.6**	**50.1**
Net (decrease)/increase in cash and cash equivalents	**113.1**	**(811.5)**	**924.6**	**149.1**
Cash and cash equivalents at 1 January	(405.6)	406.0	(811.5)	256.9
Overdrafts used for cash management purposes	627.4	-	627.4	-
Cash and cash equivalents at 31 December	**334.9**	**(405.6)**	**740.5**	**406.0**

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

The materiality threshold established internally at the Group level for analysis of main indicators (presented below) is worth RON 68.1 mn., representing 5% of EBITDA.

In 2022, the net increase in cash and cash equivalents amounted to RON 113.1 mn.

The net cash generated by the operating activity was loss of RON (1,180.6) mn. The net profit of the period was RON 558.8 mn.; the main net profit's adjustments for non-monetary elements were: eliminating the NL additional costs amounting to RON 989.3 mn., adding the depreciation and amortization of RON 534.1 mn., eliminating the impact of the impairment of trade receivables of RON 112.3 mn., adding the income tax of RON 105.1 mn. and the net finance cost of RON 165.0 mn.

Changes in working capital had a negative effect, of RON 1,030.0 mn., the most significant impact being generated by the negative change in trade and other receivables, in the amount of

RON 1,425.1 mn., in trade and other payables of RON 1,210.6 mn. (out of which, the change in employee benefits of RON 6.5 mn., having a negative impact) and in subsidies receivables in amount of RON 1,280.8 mn.. Income tax paid and interest paid amounted to RON 150.6 mn.

For the investment activity, the cash used was of RON 554.9 mn., the most significant values being related to the payments for the construction and rehabilitation of RON 537.8 mn., these being increased y-o-y with RON 54.0 mn..

The financing activity generated a decrease in cash and cash equivalents of RON 2,262.6 mn., the main factors being the proceeds from long term bank borrowings of RON 217.6 mn., proceeds from overdrafts of RON 1,900.4 mn., reimbursement of loans of RON 92.9 mn. and the dividends paid to the shareholders, of RON 152.3 mn.

In 2021, the net decrease in cash and cash equivalents amounted to RON 811.5 mn.

The net cash generated by the operating activity was loss of RON (194.4) mn. The net loss of the period was RON (522.9) mn; the main net profit's adjustments for non-monetary elements were: adding the depreciation and amortization of RON 480.8 mn, eliminating the impact of the impairment of trade receivables of RON 70.6 mn, adding the income tax of RON 79.5 mn and the net finance cost of RON 26.9 mn.

Changes in working capital had a negative effect, of RON 138.9 mn, the most significant impact being generated by the negative change in trade and other receivables, in the amount of RON 414.3 mn, and in trade and other payables of RON 314.5 mn (out of which, the change in employee benefits of RON 3.2 mn, having a positive impact). Income tax paid and interest paid amounted to RON 55.5 mn.

For the investment activity, the cash used was of RON 203.2 mn, the most significant values being related to the payments for the network construction in connection with the concession agreements of RON 483.9 mn, these being reduced y-o-y, but also to the investments in associates of RON 25.8 mn.

The financing activity generated a decrease in cash and cash equivalents of RON 414.0 mn, the main factors being the proceeds from long term bank borrowings of RON 234.7 mn, reimbursement of loans of RON 385.9 mn and the dividends paid to the shareholders, of RON 247.6 mn.

6.7. Separate statement of the financial position 2844/2016

Financial information selected from company's separate statement of financial position.

Tabel 42. Separate statement of the financial position (RON mn.)

	31 December 2022	31 December 2021	Variation 2022/2021	31 December 2020
ASSETS				
Non-current assets				
Property, plant and equipment	98.9	100.1	(1.1)	96.9
Intangible assets	0.1	0.1	0.0	0.3
Investments in subsidiaries	2,298.1	2,285.2	12.9	2,284.9
Investments in associates	18.8	25.8	(7.0)	-
Other investments	7.0	-	7.0	-
Loans granted to subsidiaries – long term	1,276.3	1,276.3	-	1,030.0
Right of use assets	0.3	0.5	(0.2)	1.4
Total non-current assets	**3,699.6**	**3,688.0**	**11.6**	**3,413.5**

	31 December 2022	31 December 2021	Variation 2022/2021	31 December 2020
Current assets				
Cash and cash equivalents	105.6	5.8	99.9	193.5
Deposits with maturity date more than three months	-	-	-	-
Restricted cash	-	-	-	320.0
Trade receivables	0.8	0.9	(0.1)	0.4
Other receivables	501.5	584.8	(83.3)	180.8
Inventories	-	-	-	-
Prepayments	1.0	0.8	0.3	0.4
Assets held for sale	0.3	0.3	-	-
Loans granted to subsidiaries – short term	45.0	30.0	15.0	-
Total current assets	**654.3**	**622.5**	**31.8**	**695.1**
TOTAL ASSETS	**4,353.8**	**4,310.5**	**43.4**	**4,108.6**
EQUITY AND LIABILITIES				
Equity				
Share capital	3,464.4	3,464.4	-	3,464.4
Share premium	103.1	103.1	-	103.1
Treasury shares reserve	(75.4)	(75.4)	-	(75.4)
Revaluation reserves	11.8	12.4	(0.6)	12.6
Legal reserves	229.4	228.2	1.3	212.0
Other reserves	224.1	71.2	152.9	35.6
Retained earnings	38.9	319.6	(280.7)	297.0
Total equity	**3,996.4**	**4,123.5**	**(127.1)**	**4,049.3**
Liabilities				
Non-current liabilities				
Bank borrowings – long term	100	-	100	-
Lease liability – long term	0.0	0.1	(0.1)	0.5
Employee benefits	1.1	1.1	-	1.5
Total non-current liabilities	**101.2**	**1.2**	**100.0**	**2.0**
Current liabilities				
Credit lines	207.8	120.5	87.3	-
Lease liability – short term	0.2	0.4	(0.2)	1.0
Trade payables	4.7	4.0	0.7	7.2
Other payables	36.5	44.0	(7.5)	36.0
Deferred revenue	0.2	0.4	(0.2)	0.2
Employee benefits	5.8	12.2	(6.3)	7.2
Provisions	1.0	4.2	(3.2)	5.8

	31 December 2022	31 December 2021	Variation 2022/2021	31 December 2020
Total current liabilities	**256.3**	**185.8**	**70.5**	**57.3**
Total liabilities	**357.5**	**186.9**	**170.5**	**59.3**
Total equity and liabilities	**4,353.8**	**4,310.5**	**43.4**	**4,108.6**

Source: Separate financial statements of ELSA as of 31 December 2022

The materiality threshold established internally at individual level is worth RON 8.0 mn., representing a quarter of the gross profit.

Non-current assets

On 31 December 2022, as compared to 31 December 2021, fixed assets increased with RON 11.6 mn., from RON 3,688.0 mn. to RON 3,699.6 mn.

At the end of 2022, the land and buildings situation is similar to the previous period. They include the administrative headquarter of the company and the corresponding land, the plots of land over which the company has obtained title deeds and the land. The increase registered in 2022 in the amount of RON 12.9 mn. is due to the investments in subsidiaries.

Investments in associates

On 28 July 2021 and 7 December 2021, Electrica SA has concluded four contracts for sale – purchase of shares in four project-based companies, having as main object the production of electricity from renewable resources. The sale – purchases agreements mention that at first stage, the Group received 30% from the share capital of the four companies, following which, it will obtain the 70% difference, after certain conditions mentioned in the contracts are met. By the end of 31 December 2022, two of the project companies were acquired by 60% of shares, therefore they are accounted as subsidiaries, the other ones are as follows below.

The cost of investment, at the acquisition date, total value of RON 18.8 mn. are detailed below:

	Crucea Power Park S.R.L.	Foton Power Energy S.R.L.
Acquisition date	**31 July 2021**	**31 December 2021**
Percentage at the acquisition date	***30%***	***30%***
Net value at the acquisition date	(0.2)	(0.007)
Percentage of the Group from net (30%)	**(0.07)**	**(0.002)**
Goodwill	**12.6**	**6.3**
Investment cost at acquisition date	**12.5**	**6.3**

Other receivables

Cash-pooling receivables comprise the receivable of Electrica SA as at 31 December 2022 as cash pool leader in the cash-pooling system set up at Group level. The decrease in 2022 is due to liquidity requirements of subsidiaries included in the cash pooling scheme by the Company.

Cash, restricted cash and short-term investments

As of 31 December 2022, the cash and cash equivalents increased by RON 99.9 mn., to RON 105.6 mn. from RON 5.7 mn. on 31 December 2021.

Tabel 43. Cash, restricted cash and short-term investments 2022-2020 (RON mn.)

(RON mn)	31 December 2022	31 December 2021	31 December 2020
Bank current accounts	3.6	3.0	18.4
Call deposits	102.0	2.7	175.1

(RON mn)	31 December 2022	31 December 2021	31 December 2020
Total cash and cash equivalents in the separate statement of financial position and in the separate statement of cash flow	**105.6**	**5.7**	**193.5**

Source: Separate financial statements of ELSA as of 31 December 2022

Value of cash and cash equivalents increased with RON 99.9 mn. due to the increase of short term deposits and cask at banks.

Tabel 44. Loans granted to subsidiaries 2022-2020 (RON mn.)

(RON mn)	31 December 2022	31 December 2021	31 December 2020
DEER (long term loan granted) *	1,276.3	1,276.3	1,030.0
EFSA	-	30.0	-
EPE	41.6	-	-
NTE	2.4	-	-
GECI	0.4	-	-
SWE	0.6	-	-
Total loans granted to subsidiaries	**1,321.4**	**1,306.3**	**1,030.0**

Source: Separate financial statements of ELSA as of 31 December 2022

(*)Starting with 31 December 2020 the three distribution companies merged into one single distribution company named Distributie Energie Electrica Romania S.A. („DEER")

Share Capital

The issued share capital in nominal terms consists of 346,443,597 ordinary shares as at 31 December 2022 (346,443,597 ordinary shares as of 31 December 2021) with a nominal value of RON 10 per share. Ordinary shares offer the right to dividends and the right to one vote per share in the company's shareholder meetings, except for the 6,890,593 shares redeemed by the Company in July 2014, for the purpose of prices stabilization. All shares confer equal rights in the company's net assets, except for the 6,890,593 shares redeemed by the company, in July 2014.

ELSA recognizes changes in share capital only after their approval in the General Shareholders Meeting and their registration in the Trade Register.

Dividends

The company may distribute dividends from the statutory profit, according to the audited individual financial statements prepared in accordance with Romanian accounting regulations.

The dividends distributed by the Company in the years 2022, 2021 and 2020 (from previous years' profits) were as follows:

Tabel 45. Dividends 2022-2020 (RON mn.)

(RON mn)	2022	2021	2020
Dividends distributed	152.8	247.8	246.1

Source: Separate financial statements of ELSA as of 31 December 2022

On 20 April 2022, the General Meeting of Shareholders of ELSA approved the distribution of dividends in the amount of RON 152.8 mn, legal reserves in amount of RON 16.1 mn. and other reserves in amount of RON 152.9 mn. The value of dividends per share distributed to the shareholders of the Company were: RON 0.4500 per share (2021: RON 0.7248 per share).

Out of the dividends distributed by the Company of RON 152.8 mn (2021: RON 247.8 mn.) the dividends paid were RON 152.4 mn. (2021: RON 247.6 mn.), the difference representing dividends uncollected by the shareholders.

Provisions

Tabel 46. Provisions (RON mn.)

(RON mn.)	Litigations and other risks
Balance at 1 January 2022	**4.2**
Provisions made	0.3
Provisions utilised	(1.9)
Provisions reversed	(1.6)
Balance at 31 December 2022	**1.0**

Source: Separate financial statements of ELSA as of 31 December 2022

The provisions in amount of RON 1.0 mn. as at 31 December 2022 (31 December 2021: RON 4.2 mn.) refer mainly to the benefits granted upon the termination of executive managers' contracts.

6.8. Separate statement of profit or loss 2844/2016

Financial information selected from the company's separate statement of profit or loss.

Tabel 47. Separate statement of profit or loss (RON mn.)

	2022	2021	Variation 2022/2021	2020
Revenues	-	-	-	3.3
Other income	5.2	0.8	4.4	14.5
Employee benefits	(30.2)	(39.2)	9.1	(31.8)
Depreciation and amortization	(1.6)	(2.3)	0.7	(13.1)
Reversal of impairment of trade and other receivables, net	0.1	0.1	0.0	98.6
Impairment of property, plant and equipment, net	0.0	3.8	(3.8)	(10.0)
Impairment of assets held for sale	-	-	-	-
Change in provisions for legal cases and non-compete clauses, net	3.2	1.6	1.6	(2.5)
Other operating expenses	(18.5)	(20.4)	1.9	(23.9)
Profit/(loss) before financing result	**(41.8)**	**(55.6)**	**13.8**	**35.1**
Finance income	78.3	377.7	(299.4)	260.3
Finance costs	(12.4)	(0.3)	(12.2)	(0.1)
Share of results of associates	(0.0)	(0)	-	-
Net finance income	**65.9**	**377.4**	**(311.6)**	**260.2**
Profit before tax	**24.0**	**321.8**	**(297.7)**	**295.3**
Income tax benefit/(expense)	0.3	0.0	0.2	3.1
Profit for the year	**24.3**	**321.8**	**(297.5)**	**298.4**
Earnings per share	**0.07**	**0.95**	**(0.88)**	**0.88**

Source: Separate financial statements of ELSA as of 31 December 2022

The materiality threshold established internally at individual level is worth RON 8.0 mn., representing a quarter of the gross profit.

Employee benefits

In 2022, employee benefits decreased by RON 9.1 mn. to RON 30.2 mn. from RON 39.2 mn. in 2021. The variation is the result of the reorganization that took place in March and April, resulting in a decreasing number of employees.

Profit/(loss) before financing result

As a result of the above-mentioned factors, ELSA recorded in 2022 a loss before financing result in amount of RON 41.8 mn., while in 2021 it recorded a loss amounting RON 55.6 mn.

Net finance income

Net finance income has decreased in 2022 from RON 377.4 mn. to RON 65.9 mn. The decrease is from the dividends received in 2021 in amount of RON 329.5 mn. with no corresponding in 2022. The finance income is in amount of RON 78.3 mn. and represents the interest income received from the subsidiaries.

Net finance income is negatively impacted with finance expense amounting RON 12.4 mn. representing interest expense related to loans.

Profit before tax

In 2022, profit before tax decreased by RON 297.7 mn. or 92.5% to RON 24.0 mn. from RON 321.8 mn. in 2021.

Income tax benefit/(expense)

In 2022, the company recorded income tax benefit amounting RON 0.3 mn., mainly due to the registration of deferred income tax revenues.

Net profit for the year

As a result of the factors presented above, the 2022 net profit recorded a decrease of RON 297.5 mn. compared to 2021, to RON 24.3 mn. from RON 321.8 mn.

6.9. Separate cash flow statement 2844/2016

Financial information selected from the cash flow statement of the company.

Tabel 48. Separate cash flow statement (RON mn.)

Indicator	2022	2021	Variation 2022/2021	2020
Cash flows from operating activities				
Profit for the year	**24.3**	**321.8**	**(297.5)**	**298.4**
Adjustments for:				
Depreciation	1.0	1.1	(0.1)	11.2
Amortization	0.6	1.2	(0.6)	1.9
Impairment of property, plant and equipment, net	(0.0)	(3.8)	3.8	10.0
Loss/(Gain) from the disposal of tangible assets	-	3.1	(3.1)	0.6
Reversal of impairmaint of assers held for sale	-	0.5	(0.5)	-
Reversal of impairment of trade and other receivables, net	(0.1)	0.1	(0.0)	(98.6)
Net finance income	(65.9)	(377.4)	311.6	(260.2)
Changes in employee benefits obligations	(5.0)	5.1	(10.0)	(0.4)
Changes in provisions, net	(3.2)	(1.6)	(1.6)	2.5
Income tax expense/(benefit)	(0.3)	(0.0)	(0.2)	(3.1)
	(48.5)	**(50.2)**	**1.7**	**(37.7)**

Indicator	2022	2021	Variation 2022/2021	2020
Changes in:				
Trade receivables	0.2	(0.4)	0.7	103.2
Other receivables	(0.5)	3.0	(3.5)	4.3
Trade payables	0.4	(2.9)	3.3	1.8
Other payables	0.8	0.3	0.5	(0.4)
Employee benefits	0.1	(0.3)	0.4	1.9
Cash generated/(used in) from operating activities	**(47.5)**	**(50.5)**	**3.0**	**73.1**
Interest paid	(12.2)	(0.2)	(12.1)	(0.0)
Net cash from/(used in) operating activities	**(59.7)**	**(50.7)**	**(9.0)**	**73.1**
Cash flows from investing activities				
Payments for purchases of property, plant and equipment	(1.9)	(4.8)	3.0	(4.0)
Payments for purchases of intangible assets	(0.2)	-	(0.2)	(0.0)
Proceeds from the sale of property, plant and equipment	1.2	0.0	1.2	0.2
Proceeds from deposits with maturity of 3 months or longer	-	-	-	66.4
Cash pooling net position	81.3	(393.6)	474.9	(132.2)
Loans granted to subsidiaries	(151.0)	(336.3)	185.3	-
Proceeds from loans given to subsidiaries	135.9	60.0	75.9	-
Payments for shares in associates	(0.0)	(25.8)	25.8	-
Payments for acquisition of shares in entities	(7.0)	-	(7.0)	-
Payments for acquisition of subsidiaries	(4.4)	(0.1)	(4.3)	-
Restricted cash	-	320.0	(320.0)	-
Interest earned	72.1	42.2	29.9	41.4
Dividends received	-	329.5	(329.5)	215.0
Net cash from investing activities	**126.0**	**(8.9)**	**135.0**	**186.8**
Cash flows from financing activities				
Proceeds from overdrafts	87.3	-	87.3	-
Dividends paid	(153.2)	(247.6)	94.5	(245.8)
Loans granted	100.0	-	100.0	-
Payment of lease liabilities	(0.6)	(1.0)	0.4	(0.9)
Net cash used in financing activities	**33.6**	**(248.6)**	**282.2**	**(246.7)**
Net increase in cash and cash equivalents	**99.9**	**(308.3)**	**408.1**	**13.2**
Cash and cash equivalents at 1 January	(114.8)	193.5	(308.3)	180.3
Reclassification of overdrafts previously presented as cash and cash equivalents	120.5	-	120.5	-
Cash and cash equivalents at 31 December	**105.6**	**(114.8)**	**220.4**	**193.5**

Source: Separate financial statements of ELSA as of 31 December 2022

The materiality threshold established internally at individual level is worth RON 8.0 mn., representing a quarter of the gross profit.

In **2022,** the net increase in cash and cash equivalents amounted to RON **99.9** mn.

The net cash generated by the operating activity was RON (47.5) mn. The net profit of the period was RON 24.3 mn.; the main adjustments for non-monetary elements of net profit were: the addition of depreciation of tangible and intangible assets in the amount of RON 1.6 mn., the decrease of the impact generated by the employee benefits amounting to RON 5.0 mn., decrease of the change in provisions of RON 3.2 mn., the impact of value adjustments for commercial receivables and the impact of the income tax were insignificant. It was deducted from the net financial result of RON 65.9 mn.

Changes in working capital had a favorable effect of RON 1.0 mn., the impact being generated by the positive impact of the trade payables and other payables in the amount of RON 1.3 mn. (of which, positive impact of RON 0.1 mn. from the change in employee benefits) diminished by the negative impact of trade receivables and other receivables, in the amount of RON 0.3 mn.

In 2022, the interest paid was RON 12.1 mn. higher than in 2021, representing mainly the interest related to the overdraft facility under the cash pooling system. Increase from RON 0.2 mn. at RON 12.2 mn. in 2022 was due to the higher value of the uses compared to the previous period, but also to the increase of the ROBOR rate.

For the investment activity was used cash in the amount of RON 126.0 mn., the highest values being related to the interest collected in the amount of RON 72.1 mn., loans granted to affiliated entities in the amount of RON 151.0 mn., receipts related to loans granted to subsidiaries in the amount of RON 136.0 mn. of net receipts from deposits in the amount of RON 66.5 mn. and the impact of the cash pooling activity, resulting in a reduction of RON 132.2 mn.

In 2022, the value of loans granted to subsidiaries was RON 151.0 mn., with RON 185.3 mn. less than the previous period. At the same time, the proceeds from loans granted to subsidiaries increased by RON 75.9 mn. compared to the previous period, mainly due to the full reimbursement of the intra-group contract contracted by EFSA during 2021.

The value of the interest collected was RON 72.1 mn., as a result of the new loans granted to subsidiaries in 2022, the higher value of the uses by subsidiaries in the Cash pooling structure, as well as the increase of the ROBOR rate.

Compared to 2021, this year no restricted cash was recorded and no dividends were collected from subsidiaries, which closed the financial year 2021 with a loss.

The financing activity generated an increase in cash and cash equivalents of RON 33.6 mn., mainly from loans received in the amount of RON 100.0 mn. representing the credit facility for working capital and issuing bank letters with Vista Bank contract this year and the amounts collected in overdrafts of RON 87.3 mn., reduced impact of dividends paid to shareholders in the amount of RON 153.2 mn. (the value of the gross dividend for one share decreased from RON 0.73/share for dividends for 2020 to RON 0.45/share for dividends for 2021).

In **2021**, the net decrease in cash and cash equivalents amounted to RON **308.3** mn.

The net cash generated by the operating activity was of RON (50.5) mn. The net profit of the period was RON 321.8 mn; the main non-monetary elements adjustments for the net profit were: adding the amortization and depreciation of tangible and intangible assets in the amount of RON 2.3 mn, adding the impact of tangible assets disposal in net amount of RON 0.7 mn, reducing the variation of the change in provisions of RON 1.6 mn, eliminating the impact of the impairment of trade receivables and deduction of the income tax benefit which were immaterial. The net financial result of RON 377.4 mn was deducted.

Changes in working capital had a favorable effect, of RON 0.4 mn, the most significant impact being generated by the restricted cash of RON 320.0 mn, positive change in trade and other receivables, in the amount of RON 2.5 mn, and in trade and other payables of RON 2.9 mn (out of which, a RON 0.3 mn positive impact from the change in employee benefits).

For the investment activity, the cash used was of RON 9.0 mn, the most significant values being related to the dividends received in amount of RON 329.5 mn, to the loans granted to affiliates in amount of RON 336.3 mn, to interest received in amount of RON 42.2 mn, but also to the payments for purchases of shares in subsidiares in amount of RON 25.8 mn, but also cash received from loans given to subsidiares in amount of RON 60.0 mn and the amounts paid within the cash pooling scheme, implemented at the Group level, amounting to RON 393.6 mn. and restricted cash in amount of RON 320 mn.

The financing activity generated a decrease in cash and cash equivalents of RON 248.6 mn, mainly from the dividends paid to the shareholders - RON 247.6 mn.

6.10. Risk management

For the Electrica Group, year 2022, from a risk management perspective was one of consolidation of previous year's initiatives and new projects, initiated on the basis of internal needs or at the request of third parties.

Thus, as a new project developed and completed in 2022, we mention obtaining certification for the implementation of ISO 27001 standard at ELSA level. An important component of this certification was the alignment of the risk management system with the provisions of the certification standard. From this perspective, the general framework has been adapted to the requirements for identifying the resources, threats and vulnerabilities that society can encounter in all activities that rely on information technology. At the same time obtaining this certification for Electrica, the changes made within the risk management system were stunned at the group level to allow replication of the certification for each company.

This year, the consultancy project developed by the risk management team for a representative entity in the energy industry in Romania was successfully completed and delivered within the stipulated deadline.

Regarding of strengthening the risk management system at the Group level, the risk management procedure was updated and implemented at the group level. These changes allow conducting risk analyzes at an aggregate level and easily extracting relevant information to report. These analyzes aim to understand the nature of the risks identified by linking mitigation and monitoring measures with the risk profile and risk appetite.

Since 2022, an internal project (ESG Project) has been initiated within the Group to implement the requirements of the new European regulations in terms of sustainability – ESG (Environmental, Social and Governance). Risk analysis from the perspective of ESG scenarios as well as the monitoring of the exposures generated by the group through the current activity become extremely important from the perspective of a way of making business sustainable and sustainable. Compliance with this new reporting requirements will underpin the reform of risk assessment for any organization in order to access funding and projects.

The challenges of 2022 were multiple from the perspective of risk management, in the sense that the materialization of risks such as liquidity, regulation, market (especially the price of electricity purchased for own technological consumption), operational (it systems, or electricity thefts) they had multiple causes and unpredictable effects.

From the perspective of the applicable legal provisions in force in conjunction with the approach imposed by the internal requirements regarding credit and counterparty risk management, the Business Partner knowledge Policy has been developed and implemented, thus ensuring the necessary conditions to know the business partners, be they customers or suppliers, in order to mitigate possible risks of reputation or credit and counterparty.

The acceptance of business partners is made only by applying the measures of knowledge of the client according to the legislation in the field and the internal procedure on combating and preventing money laundering and terrorist financing. Also, specialized platforms for verifying business partners are used in the realization of the client knowledge activity.

RISK FACTORS

The Group's activity, performance, reputation, financial situation and market value of its shares can be affected by a number of factors of both internal and external nature. These factors can lead to the materialization of risks that negatively influence the Group's activity and performance. Such factors may particularly influence the risks described below that the Group has identified and for which it seeks to manage them.

Risk factors should be viewed from both inside and outside, the latter being harder to control but both having implications for the manifestation and materialization of risks.

Risk factors can be from the following categories:

- ***Macroeconomic and energy industry-specific risks:*** Global and regional economic conditions, respectively the economic context at national and regional international level that may negatively influence the Group's activity. These factors can be: inflation, recession, changes in fiscal and monetary policy, tighter lending, higher interest rates, new or rising tariffs, currency fluctuations, raw material price (electricity, natural gas), etc.
- ***Risks arising from political events, war and/or other international disputes, international sanctions, natural disasters, industrial accidents***, etc. all of which may cause interruptions in the Group's activities. Such events, as outlined above, may damage or disrupt the international economic context and the global/regional economy and may negatively influence the activity of both the Group and the other counterparties (contractual partners). At the same time, the interruption of the activity due to the above mentioned causes can generate significant expenses and substantial recovery time, which negatively influence the activity and financial results.
- ***Regulatory risks, respectively legislative changes*** with short time to adapt to new requirements but with significant implications especially the market and counterparty/credit risk area. Regulatory risks may arise as a consequence of international events (e.g. Russia-Ukraine War) that triggers a series of unpredictable market developments, but also restrictions and sanctions at international level that are also reflected at regional and local level.
- ***Technical risks caused by inadequate network sizing in relation to energy demand***, meaning the impossibility of ensuring network maintenance and energy supply to customers, which can negatively and significantly affect the Group's business.
- ***Strategic risks*** and ensuring the financing of projects within the group can be influenced both by internal factors, by keeping a high rating that maintains an attractive share price and implicitly the attention of investors, but also external factors, respectively the difficulty of accessing markets in order to raise capital (availability of capital for financing).

Also as a factor of strategic risk is perceived the volatility of the stock price as a consequence of the company not meeting the expectations regarding profitability, its growth and dividend granting. Thus, the share price can drop significantly, with an impact on investor confidence and reputational implications.

MANAGEMENT OF NON-FINANCIAL RISKS

Operational risk management

Operational risk is the largest category of non-financial risks to occur across all entities in the group. The most important and common sub-categories of operational risk are those in the it area (including cyber and security), risks related to the execution of processes and/or procedures and/or work tasks, but also risks caused in the relationship with customers and/or business processes and/or practices. For these identified risks, measures to mitigate these risks are established at the level of each entity of the Group and periodic assessments to monitor and control them permanently.

Compliance risk management

The compliance risk, which includes the legal risk, respectively of the legislative changes, is manifested at the level of each entity in the Electrica Group. In 2022, the legislative risk reached higher exposures than in previous years due to legislative changes determined by the international context, with direct implications for the activity of all energy companies.

Strategic risk management

Strategic risk has implications for the entire group due to changes at the organizational and governance level that took place in 2022 within some entities of the Group, but also regarding the market context and adaptation to its requirements. The Group's entities aim to adopt strategies that ensure adequate market positioning and flexibility that ensure timely recalibration in order to achieve the proposed objectives.

Technical risk management

The technical risk is manifested at the level of certain entities of the Group and refers to ensuring the appropriate grid size in relation to the energy demand, ensuring its proper functioning and implicitly ensuring continuity in the electricity supply. At the group level there is a permanent concern regarding the exposure to this technical risk and the implementation of measures to mitigate it, the direct implications being customer satisfaction and also the reputation at the group level.

Risks and uncertainties present as of 31 December 2022 and issues concerning the main risks and uncertainties that could affect the Group's business and its liquidity are presented in the table below.

Tabel 49. Risks and uncertainties as of 31 December 2022

Risk description	Mitigation risk actions
Ukraine Crysis	
• On February 24, 2022, Russia invaded Ukraine, marking a sharp escalation of the Russian-Ukrainian war that began in 2014 with Russia's annexation of the Crimea peninsula. The invasion generated on the one hand a refugee crisis with the fastest growth in Europe since the Second World War, and on the other hand a global food crisis. At the same time, at the regional level, a resource crisis was created due to the imposition of a series of restrictions on the international level, Russia being an important player in the natural gas market in Europe. • The Electrica Group does not own subsidiaries and affiliated entities on the territory of Ukraine, nor does it have any other relevant exposures in the countries directly involved in this conflict. From an operational point of view, the purchases of energy and natural gas are mainly made from the domestic market, availability, provenance and delivery of resources could be influenced by the dynamics of the conflict from region.	• The management's opinion is that these risks have already materialized on the market of natural gas, electricity and petroleum products. Mitigation of the impact was possible in the supply activity through the compensation and capping measures established at the national level. In the distribution activity, the directly felt impact was visible through the price at which the electricity related to own technological consumption (NL) could be purchased. These negative influences can be maintained in the next period due to market volatility and possible future regulations with a direct impact on the Group's activity.
Market risk	
• Market risk represents the risk that the change in energy and natural gas prices, the reference interest rate, such as share prices, interest rates or exchange rates, will affect the Group's income or the value of its holdings. In 2022, the inflation rate in Romania recorded a spectacular increase, registering at Q3 2022 the 15.9% rate and for Q4 2022 it is forecast 16.5%. At the same time, the inflation of energy goods prices recorded in Q3 2022 the value of 35.7% following a forecast on a slightly downward trend at Q4 2022 of 29.9%. The forecast for 2023 is high. Source: https://www.bnr.ro/Proiectii-BNR-22694-mobile.aspx	• At the level of the supply activity there are implemented policies, procedures and tools for mitigating market risks to manage and control exposures on the electricity and natural gas market. With this scope, internal projects were started to review the hedging strategy, improving the ability to forecast the demand. There was taken into consideration the adequacy to the reality imposed by the specific markets during this period: the decrease in consumption combined with the increase in purchase prices. • Another significant risk factor in this area comes from the lack of production capacities to compensate for extreme scenarios: extremely low temperatures, drought, lack of working fronts for coal, unavailability of primary resources for renewable energy (wind, sun). • The company envisages in 2023 obtaining the certification for the implementation of ISO 50001 energy management systems in order to improve the services offered and efficiently manage resources.
Credit and counterparty risk	

Risk description	Mitigation risk actions
• Credit risk represents the risk of financial losses when a counterparty/client does not meet its contractual obligations to pay invoices when they are due.	• The management monitors and examines the current exposure, credit limits and counterparty ratings, established provisions. • The current market context implies a significant pressure on the ability of counterparties in the energy market to ensure delivery on time or to pay related compensations.
Liquidity risk	
• Liquidity risk represents the risk that the Group will not be able to meet its financial obligations when they are due.	• The Group's approach to liquidity management consists in ensuring a sufficient level of liquidity for the payment of due obligations, both under normal conditions and under stress conditions, through the treasury management system through cash pooling and accessing a varied range of credit lines of the type overdraft. • Also, the pre-financing of the support scheme for the segmental supply involves a liquidity risk, including the financing of the NL price that will be recovered through future tariffs. • The group carefully monitors, through the treasury structures, the impact and effects on the companies' activity and financial results and has adequate resources to continue its operational activity.
Conformity (Legal) risk	
• The energy and natural gas markets are regulated by local and European legislation. • These regulations may be modified or interpreted differently by the local authorities and may affect the operational profit margins of the Group. • This risk is also supported by the legislative history of recent years, which contains a series of laws that significantly changed energy and natural gas prices, capping elements, etc.	• The group makes efforts to optimize operational efficiency in accordance with current and future regulations. • The impact of these regulations is close to the maximum range used in the evaluation with immediate consequences in profitability at the group level
Operational risk	
• The Group may record direct or indirect losses resulting from a wide range of factors associated with processes, service providers, technology and infrastructure, and from external factors, such as regulatory or legal requirements and generally accepted standards regarding the best practices in the field. • Violation or failure of security and information technology systems may entail the risk of financial loss, interruption of operations or damage to the Group's reputation.	• The group have implemented an operational monitoring system, documented by policies and procedures, which ensures the escalation and remediation of potential operational problems. • In order to implement the best practices in the field, at the Group level, SE Electrica S.A. obtained in 2022 the certification for implementation the certification procedures on the 27001 standard: Information Technology, Security Techniques, Information Security Management Systems. The extension of the certification is further analyzed at the level of the other entities in the group.

Source: Electrica

FINANCIAL RISK MANAGEMENT

The Group is exposed to the following risks resulting from the use of financial instruments: credit risk, liquidity risk and market risk.

These risks are further explained and detailed.

Credit risk

Credit risk is the risk that the Group will register a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents, restricted cash and bank deposits.

The Group's exposure to credit risk is mainly influenced by the individual characteristics of each customer. In the past, the Group had a high credit risk mainly from State-owned companies.

Cash and bank deposits are placed in financial institutions that are considered to have to have low risk of default.

The carrying amount of financial assets represents the maximum credit exposure.

Trade receivables

The Group's credit risk in respect of receivables was concentrated in the past around state-controlled companies and in the recent years refers to clients that are facing financial difficulties in their industries due to specific changes in circumstances in their industry sector. The Group has set up a policy regarding risk management and it has taken into account the insurance of the trade receivables. Also the electricity supply contracts include termination clauses in certain circumstances.

The Group establishes an allowance for impairment that represents the amount of expected credit losses, calculated based on the expected loss rates.

Impairment

The following table provides information on the exposure to credit risk and expected credit losses for trade receivables as of 31 December 2022, 2021 and 2020.

Table 50. Credit risk and expected credit losses for trade receivables as of 31 December 2022

(RON mn)	31 December 2022				
	Expected credit loss rates ("ECL")	Gross value	Lifetime ECL	Net trade receivables	Credit impaired
Neither past due nor impaired	3%	1,951.7	(60.3)	1,891.3	No
Past due 1-30 days	4%	491.0	(19.3)	471.6	No
Past due 31-60 days	16%	66.4	(10.5)	55.9	No
Past due 61-90 days	35%	27.3	(9.7)	17.6	No
Past due more than 90 days	95%	582.4	(552.9)	29.5	Yes
Total		**3,118.7**	**(652.7)**	**2,452.4**	

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

Table 51. Credit risk and expected credit losses for trade receivables as of 31 December 2021

(RON mn)	31 December 2021				
	Expected credit loss rates ("ECL")	**Gross value**	**Lifetime ECL**	**Net trade receivables**	**Credit impaired**
Neither past due nor impaired	2%	1,080.1	(16.6)	1,063.5	No
Past due 1-30 days	5%	228.5	(10.6)	217.9	No
Past due 31-60 days	15%	36.7	(5.3)	31.4	No
Past due 61-90 days	38%	15.4	(5.9)	9.5	No
Past due more than 90 days	98%	964.7	(942.4)	22.3	Yes
Total		**2,325.4**	**(980.8)**	**1,344.6**	

Source: Consolidated financial statements of Electrica Group as of 31 December 2021

Table 52. Credit risk and expected credit losses for trade receivables as of 31 December 2020

(RON mn)	31 December 2020				
	Expected credit loss rates ("ECL")	**Gross value**	**Lifetime ECL**	**Net trade receivables**	**Credit impaired**
Neither past due nor impaired	2%	812.9	(13.1)	799.8	No
Past due 1-30 days	1%	163.4	(2.3)	161.1	No
Past due 31-60 days	12%	49.0	(5.8)	43.2	No
Past due 61-90 days	33%	17.5	(5.7)	11.8	No
Past due more than 90 days	99%	936.6	(922.7)	13.9	Yes
Total		**1,979.4**	**(949.6)**	**1,029.8**	

Source: Consolidated financial statements of Electrica Group as of 31 December 2020

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by transferring cash or another financial asset. The Group's liquidity management policy is to maintain, as far as possible, sufficient liquidity to meet its obligations when they are due, under both normal and stressed conditions, to avoid unacceptable losses.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Group also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables. In addition, the Group maintains overdrafts facilities.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest payments.

Table 53. Contractual maturities of financial liabilities (RON mn.) – S-IFRS-EU

(RON mn) Financial liabilities	Carrying amount	Contractual cash flows Total	less than 1 year	1-2 years	2-5 years	More than 5 years
31 December 2022						
Bank overdrafts	2,571.0	2,571.0	2,571.0	-	-	-
Lease liability	53.7	53.7	19.2	10.8	10.7	13.0
Long term bank borrowings	760.7	760.7	113.5	354.5	200.5	92.2
Trade payables	1,407.1	1,407.1	1,407.1	-	-	-
Financial assets related to concession agreements	951.6	951.6	190.3	190.3	570.9	-
Total	**5,744.1**	**5,744.1**	**4,301.1**	**555.6**	**782.1**	**105.2**
31 December 2021						
Bank overdrafts	627.4	627.4	627.4	-	-	-
Lease liability	21.5	21.5	9.4	4.9	5.1	2.2
Long term bank borrowings	628.5	628.5	509.7	27.5	82.4	8.9
Trade payables	891.3	891.3	891.3	-	-	-
Total	**2,168.8**	**2,168.8**	**2,037.9**	**32.3**	**87.4**	**11.1**

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

Table 54. Contractual maturities of financial liabilities (RON mn.) - S-OMFP2844/2016

(RON mn) Financial liabilities	Carrying amount	Contractual cash flows Total	less than 1 year	1-2 years	2-5 years	More than 5 years
31 December 2022						
Bank overdrafts	2,571.0	2,571.0	2,571.0	-	-	-
Lease liability	53.7	53.7	19.2	10.8	10.7	13.0
Long term bank borrowings	760.7	760.7	113.5	354.5	200.5	92.2
Trade payables	1,407.1	1,407.1	1,407.1	-	-	-
Total	**4,792.5**	**4,792.5**	**4,110.9**	**365.3**	**211.2**	**105.2**

(RON mn)	Carrying amount	Contractual cash flows				
Financial liabilities		Total	less than 1 year	1-2 years	2-5 years	More than 5 years
31 December 2021						
Bank overdrafts	627.4	627.4	627.4	-	-	-
Lease liability	21.5	21.5	9.4	4.9	5.1	2.2
Long term bank borrowings	628.5	628.5	509.7	27.5	82.4	8.9
Trade payables	891.3	891.3	891.3	-	-	-
Total	**2,168.8**	**2,168.8**	**2,037.9**	**32.3**	**87.4**	**11.1**

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

Market risk

Market risk is the risk that changes in market prices – foreign exchange rates and interest rates – will affect the Group's income or the value of its financial instruments held. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group has exposure to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency of the Group. The functional currency of all entities belonging to the Group is the Romanian Leu (RON).

The currency in which these transactions are primarily denominated is RON. Certain liabilities are denominated in foreign currency (EUR). The Group also holds deposits and bank accounts denominated in foreign currency (EUR). The Group's policy is to use the local currency in its transactions as far as practically possible. The Group does not use derivative or hedging instruments.

Exposure to currency risk

The summary of quantitative information on the Group's exposure to currency risk is given below.

Table 55. Exposure to currency risk 2022-2020

(RON mn)	31 December 2022	31 December 2021	31 December 2020
	Denominated EUR	**Denominated EUR**	**Denominated EUR**
Cash and cash equivalents	0.3	0.8	3.3
Lease liability	(21.0)	(19.1)	(24.4)
Net statement of financial position exposure	**(20.7)**	**(18.3)**	**(21.1)**

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

The following significant exchange rates have been applied during the year.

Table 56. Average rate and year-end spot rate

	Average rate		Year-end spot rate	
	2022	**2021**	**2022**	**2021**
EUR/RON	4.9315	4.9204	4.9474	4.9481

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

Sensitivity analysis

A reasonably possible strengthening (weakening) of the EUR against RON at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Table 57. Sensitivity analysis

(RON mn)	Profit before tax	
Effect	**Strengthening**	**Weakening**
31 December 2022		
EUR (5% movement)	(1.0)	1.0
31 December 2021		
EUR (5% movement)	(0.9)	0.9

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments is presented below.

Table 58. Fixed-rate and variable-rate instruments – S-IFRS-EU

(RON mn)	31 December 2022	31 December 2021	31 December 2020
Fixed-rate instruments			
Financial assets			
Call deposits	193.2	53.9	391.5
Financial assets	951.6	-	-
Financial liabilities			
Long-term bank borrowings	(651.8)	(418.9)	(728.9)
Lease liability	(37.4)	(8.3)	(9.1)
Total	**(455.6)**	**(373.3)**	**(346.5)**
Variable-rate instruments			
Financial liabilities			
Lease liability	(16.3)	(13.3)	(18.6)
Long-term bank borrowings	(109.0)	(209.6)	(49.9)
Bank overdrafts	(2,571.0)	(627.4)	(165.0)
Total	**(2,696.3)**	**(850.3)**	**(233.5)**

Source: Consolidated financial statements of Electrica Group as of 31 December 2022 and 31 December 2021

Tabel 59. Fixed-rate and variable-rate instruments – S-OMFP 2844/2016

(RON mn)	31 December 2022	31 December 2021	31 December 2020
Fixed-rate instruments			
Financial assets			
Call deposits	193.2	53.9	391.5
Financial liabilities			

(RON mn)	31 December 2022	31 December 2021	31 December 2020
Long-term bank borrowings	(651.8)	(418.9)	(728.9)
Lease liability	(37.4)	(8.3)	(9.1)
Total	**(495.9)**	**(373.3)**	**(346.5)**
Variable-rate instruments			
Financial liabilities			
Lease liability	(16.3)	(13.3)	(18.6)
Long-term bank borrowings	(109.0)	(209.6)	(49.9)
Bank overdrafts	(2,571.0)	(627.4)	(165.0)
Total	**(2,696.3)**	**(850.3)**	**(233.5)**

Source: Consolidated financial statements of Electrica Group as of 31 December 2022 and 31 December 2021

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Table 60. Cash flow sensitivity analysis for variable-rate instruments

(RON mn)	Profit before tax	
	50 bp increase	**50 bp decrease**
31 December 2022		
Variable-rate instruments	(13.5)	13.5
31 December 2021		
Variable-rate instruments	(4.3)	4.3

Source: Consolidated financial statements of Electrica Group as of 31 December 2022

6.11. Description of the main features of internal control and risk management systems in relation to the financial reporting process

The internal control represents all measures, procedures and policies adopted by ELSA management and their implementation by the employees, regarding the organizational structure, applied procedures, methods, techniques and instruments, for the purpose of implementation of company strategy and objectives. The internal control includes all control forms performed at company level, such as preventive financial control, internal and managerial control, compliance control.

The internal control activity represents a way of analysis of ELSA activities, of adopting and applying the internal management, also associated with the knowledge activity, which allows the Company's management to coordinate the activities within the organization in an efficient manner.

In this respect, through the internal control the monitoring and verification is carried out, in accordance with the legislation in force and the specific procedures, in compliance with the legal framework that regulates the activities carried out in the checked entities, according to the approved control objectives and themes.

Through internal control, the Company's management ascertains the deviations resulting from the established objectives, analyzes the causes and orders the corrective or preventive measures that are required.

The internal control and the risk management systems have the following main goals:

- protecting organizational resources against losses due to waste, negligence, abuses, fraud etc.;
- compliance with the applicable legislation and the internal regulations;
- the reliability of financial reporting (accuracy, completeness and correctness of the information);
- ensuring an environment based on identifying, understanding and controlling risks, environment which will contribute to achieving the organizational goals;
- efficient and effective business operations and use of resources;
- applying the BoD and executive management resolutions and follow-up.

The achievement of these goals was performed in 2022 as follows:

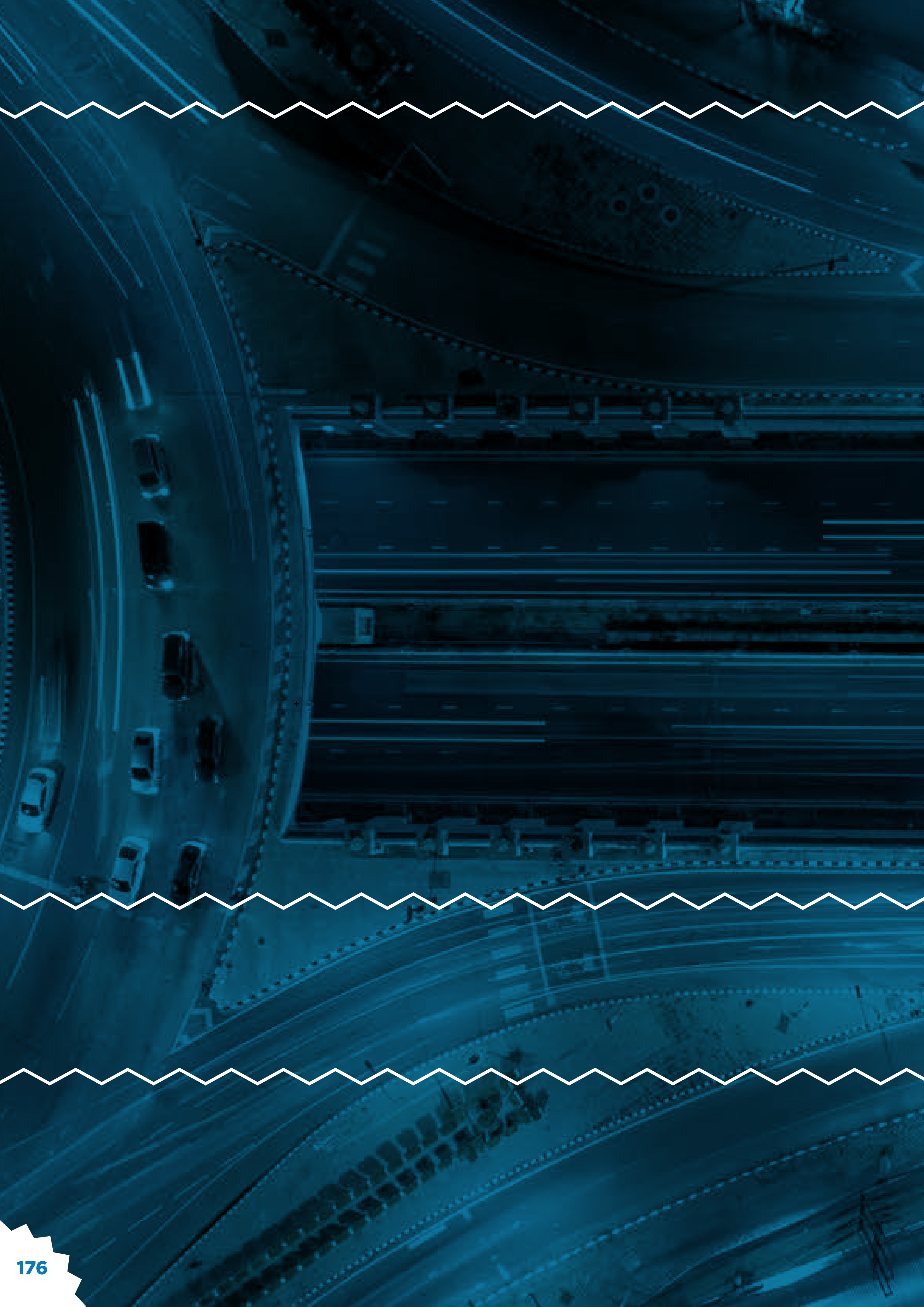
- in order to ensure internal compliance with the competition and state aid rules, several training and practical verification sessions were conducted;
- clear definition and responsibilities segregation for each person involved in the organizational process; segregation of duties regarding the carrying out the operations among the personnel, so that the approval, control and registration duties are adequately assigned to different persons (as per the Company's organizational chart);
- elaboration, update and implementation of regulations, policies, procedures, forms etc;
- the existence of a *Guide for Accounting Policies*, elaborated in accordance with the requirements of the legislation in force, approved by the Board of Directors;
- the existence of a schedule and a well-defined process regarding the elaboration of accounting and financial information in accordance with the reporting requirements (financial reports, including financial statements, annual and interim reports, budget etc) and their appropriate verification and approval by the Board of Directors, for the purpose of endorsing and release for publication.

The framework of ELSA's internal control system consists of the following elements:

- **Control environment** – The existence of a control environment represents the basis of an efficient internal control system. It consists of the commitment towards integrity and ethical values (for this purpose, a series of policies on zero tolerance towards corruption, anti-fraud and anti-money-laundering, avoidance and fighting against conflicts of interest, gifts policy, protocol expenses, and forbidding facilitating payments, transparency and the involvement of stakeholders), as well as organizational measures (policies on the delegation of authority and responsibilities);
- **Evaluation of risks** – Generally, all processes are within the scope of the internal control system. An identification process is carried out regarding major or critical risks, related to particular activities for stimulating internal control methods;
- **Control activities meant to reduce the risks** – Control activities have different forms (managerial control, general control, preventive financial control, etc.) and they are implemented and carried out with the purpose of reducing significant operational and compliance risks;
- **Information and communication** – Information helps all other components of the internal control system by communicating to employees their responsibilities for controling and providing information in an adequate and timely manner, so that all employees may be able to fulfill their duties. Internal communication occurs by means of disseminating information to all levels, while the external one implies the dissemination of information to external parties, in accordance with the requirements and expectations;
- **Monitoring activities** – the Audit and Risk Committee together with the Internal Audit Department assess the efficiency and the effective implementation of the internal control system.

The Company's management monitors the functioning of internal controls by means of periodical analyzes; for instance, the execution of the budget, the monitoring of security incidents, internal and external audit reports and internal control reports.

Deficiencies in the implementation or functioning of internal controls are documented into the internal control reports, respectively in internal audit reports and briefing notes, and they are presented to the management, with the purpose of issuing the corrective actions.



7 Statements

7 Statements

Based on the best available information, we confirm that the consolidated financial statements reviewed and audited for the period ended 31 December 2022 prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU"), provides an accurate and real image regarding the Electrica Group's financial position, the financial performance and the cash flows, as required by the applicable accounting standards, and that this Report, prepared in accordance with art. 63 of the law no. 24/2017 on issuers of financial instruments and market operations and to annex no. 15 to ASF Regulation no. 5/2018 for the period ended 31 December 2022, comprises accurate and real information regarding the Group's development and performance.

Based on the best available information, we confirm that the consolidated financial statements reviewed and audited for the period ended 31 December 2022 prepared in accordance with OMFP 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards adopted by the European Union with subsequent changes, provides an accurate and real image regarding the Electrica Group's financial position, the financial performance and the cash flows, as required by the applicable accounting standards, and that this Report, prepared in accordance with art. 63 of the law no. 24/2017 on issuers of financial instruments and market operations and to annex no. 15 to ASF Regulation no. 5/2018 for the period ended 31 December 2022, comprises accurate and real information regarding the Group's development and performance.

Chair of the Board of Directors,

Iulian Cristian BOSOANCA

Chief Executive Officer,

Alexandru-Aurelian CHIRITA

Chief Financial Officer,

Stefan Alexandru FRANGULEA

Appendix 1 – Litigations

A.1.1 Electrica Group litigations in 2022:

A.1.1.1 Disputes with ANRE

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
1	Plaintiff: ELSA Defendant: ANRE 192/2/2015	Cancellation of ANRE's President Order no. 146/2014 regarding the establishment of the regulated rate of return considered to the approval of the tariffs for the electricity distribution service provided by concessionary DSOs starting with 1st January 2015 and the abrogation of Art. 122 of the Tariff Setting Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	Appeal – finally dismissed on 31 March 2022.
2	Plaintiff: ELSA; Defendant: ANRE; 361/2/2015	Cancellation of ANRE Order no. 155/2014 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER (former SDTN).	Bucharest Court of Appeal	The Court dismissed the case on merits. Appealable within 15 days from it's communication.
3	Plaintiff: ELSA; Defendant: ANRE; 360/2/2015	Cancellation of ANRE Order no. 156/2014 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER (former SDTS).	Bucharest Court of Appeal	The Court dismissed the case on merits. Appealable within 15 days from it's communication.
4	Plaintiff: ELSA; Defendant: ANRE; 340/2/2016	Action for partial annulment (regarding the special tariffs) of the administrative act – ANRE Order 171/2015.	High Court of Cassation and Justice	ELSA's action was definitively dismissed
5	Plaintiff: ELSA; Defendant: ANRE; 342/2/2016	Action for partial annulment (regarding the special tariffs) of the administrative act – ANRE Order. No. 172/2015.	High Court of Cassation and Justice	ELSA's action was definitively dismissed
6	Plaintiff: ELSA; DEER Defendant: ANRE; 7614/2/2018	Action for partial annulment of ANRE Order no. 169/2018 regarding the approval of the Tariff Setting Methodology for the Electricity Distribution Service.	High Court of Cassation and Justice	Case dismissed on merits, a recourse was filed, in course of settlement.
7	Plaintiff: ELSA; DEER Defendant: ANRE 7591/2/2018	Action for the annulment of the ANRE Order no. 168/2018 regarding the regulatory rate of return and obliging ANRE to issue a new order.	Bucharest Court of Appeal	Suspended until de final settlement of case no. 541/36/2018 of the Bucharest Court of Appeal.
8	Plaintiff: ELSA, DEER Defendant: ANRE 434/2/2019	Legal action for annulment of ANRE Order 197/2018 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive electric energy for DEER (former SDMN).	Bucharest Court of Appeal	In course of settlement.
9	Plaintiff: ELSA, DEER Defendant: ANRE 435/2/2019	Legal action for annulment of ANRE Order 199/2018 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER former SDTS).	High Court of Cassation and Justice	On 9 June 2020, the court rejected the action as unfounded. An appeal was filed, deliberation pending.
10	Plaintiff: ELSA, DEER Defendant: ANRE 436/2/2019	Legal action for annulment of ANRE Order 198/2018 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER former SDTN).	Bucharest Court of Appeal	In course of settlement.

Crt. no.	Parties/Case file number	Subject matter	Court	Case status
11	Plaintiff: DEER Defendant: ANRE 184/2/2015	Contentious administrative litigation – Cancellation of ANRE Order no. 146/2014 regarding the setting of the regulated rate of return applied at the approval of the tariffs for the electricity distribution service provided by the DSOs starting with 1st January 2015 and the abrogation of art. 122 of the tariff setting methodology for the electricity distribution service, approved by the ANRE order no. 72/2013.	Bucharest Court of Appeal	On 29 April 2022, the Court dismissed the case. Appealable within 15 days from it's communication.
12	Plaintiff: DEER Defendant: ANRE 309/2/2020	Judicial action on the cancellation of documents issued by regulatory authorities – Order no. 227/2019 regarding the approval of the tariffs for the electricity distribution service and the price for the reactive energy for DEER (former SDMN).	Bucharest Court of Appeal	In course of settlement.
13	Plaintiff: DEER Defendant: ANRE 213/2/2015	Cancellation of ANRE Order no. 146/2014 regarding the establishment of the regulated rate of return applied to the approval of the tariffs for the electricity distribution service provided by the DSOs from 1st January 2015 and the abrogation of Art. 122 of the Tariff Setting Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	High Court of Cassation and Justice	Appeal – On 24 March 2022, the Court dismissed the appeal as unfounded. Final.
14	Plaintiff: DEER Defendant: ANRE 305/2/2020	Action for the cancellation of ANRE's President Order no. 228/2019 regarding the approval of the of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER (former SDTN).	High Court of Cassation and Justice	Case dismissed on merits, an appeal was filed, in course of settlement.
15	Plaintiff: DEER Defendant: ANRE 371/2/2015	Cancellation of the ANRE's President Order no. 156/2014 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER (former SDTS).	Bucharest Court of Appeal	Suspended until the settlement of the case file no. 208/2/2015.
16	Plaintiff: DEER Defendant: ANRE 208/2/2015	Cancellation of the ANRE's President Order no. 146/2014 regarding the establishment of the regulated rate of return applied to the approval of the tariffs for the electricity distribution service provided by DSOs from 1st January 2015 and the abrogation of Art. 122 of the Tariff Pricing Methodology for Electricity Distribution Service, approved by the ANRE Order no. 72/2013.	Bucharest Court of Appeal	A reinstatement request was filed. Attached to case no. 184/2/2015. On 29 April 2022, the Court dismissed the case. Appealable within 15 days from its communication.
17	Plaintiff: DEER Defendant: ANRE 303/2/2020	Cancellation of the ANRE's President Order no. 229/2019 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER (former SDTS).	Bucharest Court of Appeal	Suspended on 02 November 2022. Appealable within 15 days from its communication.
18	Plaintiff: DEER Defendant: ANRE 53/2/2022	Cancellation of the ANRE's President Order no. 119/2021 regarding the approval of the specific tariffs for the electricity distribution service and the price for the reactive energy for DEER.	Bucharest Court of Appeal	Suspended until the final settlement of case no. 6176/2/2022.
19	Plaintiff: DEER Defendant: ANRE 6176/2/2022	Action for partial annulment of ANRE Order no. 169/2018 regarding the approval of the Tariff Setting Methodology for the Electricity Distribution Service.	Bucharest Court of Appeal	In course of settlement.

Source: Electrica

A.1.1.2 Fiscal matter disputes

Crt. no.	Parties/Case file number	Object	Court	Case status
1	Plaintiff: ELSA Defendant: NAFA 17237/299/2017	1. Suspension of forced execution initiated by NAFA-DGAMC in the enforcement file no. 13267221 under the enforceable order no. 13725/3 May 2017 and of the no. 13739/3 May 2017; 2. Cancellation of the enforcement order no. 13725/3 May 2017, of the no. 61/90/1/2017/263129 (which also bears the No. 13739/3 May 2017) issued by NAFA-DGAMC for the amount of RON 39,248,818 and all subsequent execution orders issued in connection with the forced execution of the amount of RON 39,248,818 in the execution file no. 13267221.	District 1 Court	Action admitted on merits. The Decission was appealed
2	Plaintiff: ELSA Defendant: NAFA 9131/2/2017	Annulment of the tax decisions issued by NAFA and communicated to the company by address no. 665/17 March 2017, new accessories amounting to RON 39,053,522.	High Court of Cassation and Justice	Action admitted on merits. NAFA filed an appeal, definitively dismissed on 23 March 2022.
3	Plaintiff: ELSA Defendant: NAFA - DGAMC 25091/299/2018	Appeal to execution and suspension of forced execution - cancellation of the enforcement order no. 13566/22 June 2018 and the notice 13567/22 June 2018, issued in the execution file no.13267221 /61/90/1/2018/278530, amounting to RON 10,024,825 (representing the partial fine from the Competition Council).	District 1 Court	Suspended until the settlement of case no. 3889/2/2018.
4	Plaintiff: ELSA Defendant: NAFA - DGAMC 2444/2/2021	1. Obligation of NAFA to correct the evidence of tax receivables, held according to art. 153 FPC so that it reflects the decisions given by the courts in the disputes between the parties, through decisions that have come into the power of the judicial work, respectively by: a) Decision no. 1078/17 April 2015 issued by the Bucharest Court of Appeal in case no. 5433/2/2013; b) Decision no. 5154/26 June 2017 issued by Bucharest District 1 Court in case no. 51817/299/2016*; c) Decision no. 624/06 March 2015 issued by the Bucharest Court of Appeal in case no. 7614/2/2013; Obligation of NAFA to draw up those acts or administrative correction operations which: - to reflect Electrica's right to the reimbursement of RON 5,860,080 representing fiscal obligation unlawfully reinstated in the fiscal evidence; - to reflect Electrica's right to the reimbursement of RON 817,521 which was not object of the reimbursement made by NAFA on 22 September 2020, arising from the annulment of the fiscal decision in case mentioned in item 1 above, let. a); 2. Obligation of NAFA to pay the legal interests related to the period 12 December 2016 – 21 September 2020, calculated in a percentage of 0.02%/day of delay for the debt amount of RON 18,687,515 reimbursed on 22 September 2020, in total amount of RON 5,161,491.64; 3. Establishing a 15 days term from the decision so that NAFA-DGAMC to settle the fiscal file as indicated above, imposing late penalties of RON 1,000/day of delay for exceeding this term, due to Electrica by DGAMC.	Bucharest Court of Appeal	In course of settlement.

Crt. no.	Parties/Case file number	Object	Court	Case status
5	Plaintiff: DEER Defendant: NAFA - DGAMC 359/2/2021 (former 1018/2/2016*)	Cancellation of administrative act – Decision no. 462/23 November 2015, litigation amount of RON 7,731,693 (RON 4,689,686 income tax + RON 3,042,007 VAT) and for the amount of RON 6,154,799 (RON 3,991,503 interests/penalties and late fees related to income tax + RON 2,163,296 interests/penalties and delay fees related to the VAT).	Bucharest Court of Appeal - retrial	The court of first instance rejected the action as unfounded. The plaintiff filed an appeal, admitted by the court, which quashes the contested decisions and, re-judging, partially admits the action. Partially annuls Decision no.462/23 November 2015 issued by A.N.A.F–DGSC, regarding point 3. Obliges the defendant A.N.A.F–DGSC to settle on the merits the claim regarding the amount of RON 10,091,323. It sends for retrial to the same court the request regarding the other fiscal obligations retained by the fiscal body, amounting RON 13,886,492. Final (file no. 1018/2/2016*). In retrial, case no. 1018/2/2016* was registered with a new number, 359/2/2021 - in course of settlement. DGAMG-ANAF rejected by Solution Decision no. 154/02 July 2020, the appeal regarding the amount of RON 10,091,323 (Point 3 of Decision no. 462/2015) reason for which an action for annulment was filed on 22 December 2020 (file no. 641/42/2020).
6	Plaintiff: DEER Defendant: DGAMC – NAFA 641/42/2020	Annulment of the administrative act of the Settlement Decision 154/02 July 2020 for the amount of RON 10,091,323 (point 3 of the Decision no. 462/23 November 2015)	Ploiesti Court of Appeal	In course of settlement.
7	Plaintiff: DEER Defendant: Galati City Hall - DITVL Galati 263/42/2020	Cancellation of administrative documents issued by the fiscal bodies within the Galati City Hall - DITVL Galati, respectively Fiscal inspection report, taxation decision and decision to resolve the appeal. According to the Fiscal Inspection Report, the control team determined an additional tax on buildings, together with the related accessories, in a total amount of RON 24.831.293, for the 2012-2015 period.	High Court of Cassation and Justice	On merits, the Court dismissed the case as unfounded, a recourse was filed, in course of settlement.
8	Plaintiff: EL SERV Defendant: NAFA 5786/2/2018	Cancellation of administrative act NAFA RIF 2017 and decision no. 305/30 May 2017, amounting to RON 46,260,952, the amount by which the fiscal loss of the Company was diminished; RON 7,563,561 established as additional VAT for payment by the refusal to deduct the VAT + related accessories.	High Court of Cassation and Justice	By decision 2145/2019 dated 03 July 2019, the court admits the request. Partially annuls Decision no. 22/18 January 2018 regarding the settlement of the appeal, Taxation Decision no. F-MC 305/30 May 2017, The provision regarding the measures established by the fiscal inspection bodies no. 115046/30 May 2017 and RIF no. F-MC 177/30 May 2017, regarding the amount of RON 7,264,463 VAT with the related accessories, illegally retained as non-deductible, respectively regarding the amount of RON 37,083,657 with which the fiscal loss was illegally diminished. In the case, an appeal was filed by both parties, in course of settlement. The court admits the recourse filed by the parties and, rejudging the case, rejected the summons filed by FISE Electrica Serv SA. Final.
9	Plaintiff: EL SERV Defendant: NAFA 31945/3/2018	Cancellation of administrative decision no. 221/19 July 2017 - cancellation of penalties related to the decision no. 305/2017 from above, RON 118,215.	Bucharest Court	Suspended until the final settlement of the case no. 5786/2/2018.
10	Plaintiff: DEER Defendant: MFP-NAFA – DGRFP Cluj – AJFP Maramures 371/33/2017	Appeal of tax decision no. F-MM-180/2016 regarding additional tax and VAT, as well as interest/late payment increases and late payment penalties. Preliminary administrative procedures were conducted in 2017, prior to the case filing. Amount: RON 32,295,033.	High Court of Cassation and Justice	Decision dated 28 March 2022: admits DEER's recourse and dismisses the other recourses. Final.

Crt. no.	Parties/Case file number	Object	Court	Case status
11	Plaintiff: EFSA Defendant: NAFA – DGAMC 8709/2/2018	Cancellation of: • **DGSC Decision no. 325/26 June 2018** • **Decision F-MC 678/28 December 2017** • **Report F-MC 385/28 December 2017** • **Decision no. 511/24 October 2018** • **Decision no. 21095/24 July 2018** Value: RON 11,483,652	Bucharest Court of Appeal	In course of settlement.

Source: Electrica

A.1.1.3 Other significant litigations (with a value higher than EUR 500 thousand)

Crt. no.	Parties/Case file number	Object	Court	Case status
1	Plaintiff: SPEEH Hidroelectrica S.A. Defendant: ELSA 13268/3/2015*	Obligation of Electrica to pay to SPEEH Hidroelectrica SA the amount of RON 5,444,761 (the loss suffered by selling energy at an average price per MWh under the production cost of 1 MWh); partial obligation to pay the unrealized benefit of Hidroelectrica by selling the total amount of 398,300 MWh, calculated according to the ANRE regulations (RON 9,646,826, according to the written instructions dated 5 May 2015/RON 5,444,761 according to the applicant's conclusions mentioned in the Conclusion of 15 March 2017); ordering the defendant to pay the legal interest from the date of the decision until the effective payment, court costs.	Bucharest Court of Appeal	The court of first instance rejects the exception of the prescription of the material right to action as unreasonable and the action as unfounded. Both parties have appealed, dismissed as unfounded. Both parties filed an appeal. Hidroelectrica's appeal was rejected. The ELSA appeal was admitted, the case being sent for retrial to the Bucharest Court of Appeal. In the retrial, the court admits ELSA appeal, changes the appealed sentence in the sense that it admits the exception of the prescription of the material right to action and rejects the action as prescribed. With appeal within 30 days from the communication. Definitively settled.
2	Creditor: ELSA Debtor: Petprod S.A. 47478/3/2012/a1	Bankruptcy, registering to the list of creditors for the amount of RON 2,591,163	Bucharest Tribunal	Ongoing procedure.
3	Creditor: ELSA Debtor: CET Braila S.A. 2712/113/2013	Bankruptcy, registering to the list of creditors in amount of RON 3,826,035.	Braila Court	Ongoing procedure.
4	Creditor: ELSA, AAAS, BCR SA and others Debtor: Oltchim S.A. 887/90/2013	Bankruptcy, remaining amount to be recovered – RON 116,058.538.	Valcea Court	Ongoing procedure. The amount is registered in the definitive table of receivables updated following the fact that the Decision EU Tribunal from Luxemburg, establishing that Oltchim S.A. benefited from illegal state aid from a numberof Romanian companies, including ELECTRICA S.A., became definitive.
5	Creditor: ELSA Debtor: Romenergy Industry SRL 2088/107/2016	Bankruptcy, registering to the list of creditors in amount of RON 2,917,266.	Alba Iulia Court of Appeal	The procedure was closed on 12 December 2022, the decision being appealed by DEER, in course of settlement.
6	Creditor: ELSA Debtor: Transenergo Com S.A. 1372/3/2017	Insolvency proceedings. Amount RON 37,088,830.	Bucharest Court	Ongoing reorganization procedure. On 03 February 2021, the Debtor's reorganization plan was confirmed, according to which unsecured receivables do not participate in distributions. ELSA's appeal against the sentence confirming the reorganization plan was definitively dismissed.
7	Creditor: ELSA Debtor: Electra Management & Supply SRL 41095/3/2016	Bankruptcy. Amount: RON 6,027,537.	Bucharest Court	Ongoing procedure
8	Creditor: ELSA Debtor: Fidelis Energy SRL 3052/99/2017	Insolvency proceedings. Amount: RON 11,354,912.	Iasi Court	Ongoing procedure. The judicial administrator filed a banckrupcy request.

Crt. no.	Parties/Case file number	Object	Court	Case status
9	Plaintiff: ELSA Defendant: Competition Council 3889/2/2018	Administrative litigation - annulment of Competition Council Decision no. 77/20 December 2017, by which an ELSA charge is set through a fine of RON 10,800,984 and, in the subsidiary, the reduction of the fine set up to the legal minimum of 0.5% of ELSA's turnover, by re-individualizing the alleged anticompetitive facts, with the retention and full use of all mitigating circumstances applicable to ELSA.	High Court of Cassation and Justice	The court dismissed ELSA's action as unfounded; ELSA filed an appeal, definitively dismissed.
10	Plaintiff: ELSA Defendant: EL SERV 39968/3/2018	Action for damages - request payment of penalty interest in the amount of RON 6,782,891, related to the amount of RON 10,327,442.	High Court of Cassation and Justice	The first court partly admitted the action and ordered the payment of the legal interest calculated for the period 20 November 2015-22 May 2018. EL SERV filed an appeal, dismissed as unfunded. EL SERV filled a recourse, definitively dismissed on 17 May 2022.
11	Plaintiff: ELSA Defendant: Elite Insurance Company 44380/3/2018	Claims - request for equivalent value of the insurance policy issued to guarantee the obligations of Transenergo Com S.A., in the amount of RON 4,000,000.	Bucharest Court	Suspended based on art. 307 Civil Procedure Code.
12	Plaintiff: ELSA Transenergo Com S.A. Defendant: Silver Broker de Asigurare-Reasigurare SRL (former Zurich Broker de Asigurare Reasigurare SRL) 3310/3/2020	Claims – RON 4,000,000 (ELSA) and RON 97,350 and the bearing of any damage related to the non-fulfilment of its obligation (Transenergo Com) – regarding the insurance policy issued to guarantee the payment obligations of Trasenergo Com	Bucharest Court of Appeal	The court rejected the request as unfounded, and Transenergo Com request as directed against a person without passive procedural capacity. With appeal within 30 days from communication. ELSA filed an appeal. The court ordered the termination of the case, based on art. 75 of Law no. 85/2014. ELSA has filed a request for registration at the credit table in the bankruptcy file of Silver Broker de Asigurare-Reasigurare SRL, case no. 37068/3/2021. To this file was connected the case no. 3474/299/2020.
13	Plaintiff: ELSA Defendant: Silver Broker de Asigurare-Reasigurare SRL (former Zurich Broker de Asigurare Reasigurare SRL) 37068/3/2021	Bankruptcy - application for registration at the credit table with the amount of 4,000,000 RON	Bucharest Tribunal	ELSA submitted a request for reinstatement within the deadline (admitted) and registration at the credit table, currently being resolved by the judicial liquidator.
14	Plaintiff: ELSA Defendant: former directors and administrators of ELSA 35729/3/2019	Claims - claim for damages calculated as a result of the control of the Court of Accounts, amounting RON 322,835,121.	Bucharest Court	Suspended untill the final settlement of case 2229/2/2017.
15	Plaintiff: VIR Company International S.R.L. Defendant: DEER 7507/105/2017	Claims - the amount requested by VIR Company International SRL consists of: - EUR 5,000,000, damage caused by delayed issuance of the connection certificate for the photovoltaic plant located in Valea Calugareasca commune, Darvari village; - EUR 155,000, equivalent of the amount of electricity produced by the plant during the technological tests period; - EUR 145,000, green certificates related to the amount of energy produced by the photovoltaic plant during the technological tests period. In addition, it requires to DEER to pay the penalty interest of 5.75%/year for all the amounts of money claimed and court costs.	Prahova Court	The court rejects the exceptions of inadmissibility and lack of object of the introductory request invoked by the defendant, as unfounded. Dismisses the introductory request as unfounded. Accepts in part the request made by the defendant regarding the payment of court costs and obliges the plaintiff to the defendant to pay the court costs, respectively to pay the sum of RON 50,000 representing a reduced attorney's fee. Appealable within 15 days from communication. On 07 July 2022, the court partially admitted the request to increase the expert's fee for the amount of RON 13,100 and obliges the plaintiff to pay this amount to the expert. With appeal within 15 days from the notification of the decision.

Crt. no.	Parties/Case file number	Object	Court	Case status
16	Creditor: DEER Debtor: Transenergo Com S.A. 1372/3/2017	Insolvency proceedings. Amount: RON 9,274,831.	Bucharest Court	Ongoing proceedings. On 3 February 2021, the Debtor's reorganization plan was confirmed, according to which unsecured receivables do not participate in distributions. The Debit represents the accumulated receivables as a result of the distribution subsidiaries merger.
17	Plaintiff: DEER Debtor: ELSA 18976/3/2020 (33763/3/2019)	Claims, according to the Court of Accounts Decision, representing payments not owed of RON 20,350,189 made by DEER (former SDMN).	Bucharest Court	Suspended until the final settlement of case no. 1677/105/2017.
18	Plaintiff: Tutu Daniel and Tudori Ionel Dedendant: DEER 180/233/2020*	Claims - equivalent value of land related to the Galati Center Transformation Station – RON 2,500,000.	Galati Court	The court of first instance partially admitted the request to compel the defendants to pay the plaintiffs the sum of EUR 241,600 as compensation for the lack of use of the income. Obliges the defendants to pay to the plaintiffs the legal interest regarding the damages established from the moment of the final stay until the actual payment. It finalizes the experts' fee in the amount of RON 1,600 for expert Bogatu Mirela Dorina and the amount of RON 1,500 for expert Grecu Iulian and obliges the plaintiffs to pay the expert Bogatu Mirela Dorina the amount of RON 600 - the difference between the expert's fee and to expert Grecu Iulian the amount of 500. It obliges the defendants to pay the defendant Tutu Daniel the sum of RON 38,605 and the plaintiff Tudori Ionel the sum of RON 12,000 as court costs. The appeal was filed.
19	Plaintiff: Sinaia City Hall Defendant: DEER 3719/105/2020**	Action in "Obligation to do" administrative litigation. Sinaia City Hall requests: -mainly: obliging MN to comply with LCD 113/2015 in the sense of executing the works regarding the underground location of the technical-municipal networks for the project "Energy efficiency and lighting extension of the historic area - Sinaia" - in the alternative: in case MN will not execute the works in due time and the City Hall will execute the works in our name and on our behalf, MN will be obliged to pay RON 7,659,402.72 + VAT (RON 9,101,192); - updating the amount requested in subsidiary with the inflation rate and legal interest.	Prahova Court	The Court dismissed the case on merits. Appealable within 15 days from it's communication.
20	Plaintiff: DEER Defendant: Romenergy Industry S.A. 2088/107/2016	Bankruptcy - amount: RON 9,224,595.51.	Alba Iulia Court of Appeal	The court of first instance admitted the request to close the bankruptcy procedure. The debit represents the accumulated receivables as a result of the distribution subsidiaries merger. The appeal was filed, in course of settlement.
21	Plaintiff: Asirom Vienna Insurance Group S.A. Defendant: DEER 439/111/2017	Recourse claims – for RON 2,842,347, representing the compensation paid by the plaintiff to the insured company SC Ciocorom SRL following a fire that occurred on 7 March 2013. DEER (former SDTN) fault is invoked for the overvoltage after a power outage.	Oradea Court of Appeal	Case dismissed on merits. Appeal in course of settlement.
22	Plaintiff: Energo Proiect SRL Defendant: DEER, DEER – Oradea Subsidiary 374/1285/2018	Claims of RON 2,387,357.	Cluj Court of Appeal	On merits and in the appeal, the case was dismissed. The Court admits the appeal declared by the plaintiff ENERGO PROIECT S.R.L., cancels the decision and sends the case to a new trial, the same court. Appeal for retrial.
23	Plaintiff: DEER Defendant: ELSA 4469/62/2018	Claims according to the Courts of Account findings – RON 8,951,811	Brasov Court	First instance. The High Court of Cassation and Justice solved the negative competence conflict between Brasov Court and Bucharest Court, the case being in course of settlement at Brasov Court.

Crt. no.	Parties/Case file number	Object	Court	Case status
24	Plaintiff: DEER Defendant: directors and managers 342/62/2020*	Claims against the former general managers of the company, as a result of the non-fulfillment of some measures ordered by the Court of Accounts for the amount of RON 8,951,812.	Brasov Court	Suspended untill the final settlement of case no. 4469/62/2018.
25	Plaintiff: EL SERV Defendant: National Leasing IFN S.A. 18711/3/2010	Bankruptcy – amount admitted to the list of creditors: RON 21,663,983.27 (guaranteed RON 17,580,203.48 and unsecured RON 4,083,779.79).	Bucharest Court	The insolvency procedure was closed. Final solution.
26	Plaintiff: EL SERV Defendant: Servicii Energetice Banat S.A. 8776/30/2013 (joint with cu 2982/30/2014)	Bankruptcy - amount admitted to the list of creditors RON 72,180,439.68.	Timis Court	Ongoing proceedings.
27	Plaintiff: EL SERV Defendant: SEO 2570/63/2014	Bankruptcy - amount admitted to the list of creditors RON 26,533,446.	Dolj Court	Ongoing proceedings.
28	Plaintiff: EL SERV Defendant: SED 8785/118/2014	Bankruptcy - amount admitted to the list of creditors: RON 15,130,315.27.	Constanta Court	Ongoing proceedings.
29	Plaintiff: EL SERV Defendant: SE Moldova 4435/110/2015	Bankruptcy – amount: admitted to the list of creditors RON 73,708,082.90.	Bacau Court	Ongoing proceedings.
30	Plaintiff: EL SERV Defendant: New Koppel Romania 20376/3/2016	Claims – EUR 655,164, equivalent of RON 3,210,305.75.	Bucharest Court	Ongoing proceedings.
31	Plaintiff: Integrator S.A. Defendant: EL SERV, SAP Romania 34479/3/2016**	Claims – EUR 1.277.435,25 license + EUR 2.650.855,68 maintenance – RON equivalent 19,321,005.11	Bucharest Court of Appeal	The case was suspended on 12 June 2019 until the jurisdiction was established in case 3O 266/2017 registered with the Karlsruhe Court and declined in favor of the Mannheim Court.
32	Plaintiff: EL SERV Defendant: directors and administrators 2013-2014 35815/3/2019	Action in attracting the liability of directors and administrators - measure II.7 of Decision no. 13/27 December 2016 issued by the Romanian Court of Accounts– RON 7,165,549 + legal interest of RON 4,485,340.29.	Bucharest Court of Appeal	The court dismissed the action as prescribed, ordering the plaintiff to pay the judicial costs. Appeal suspended, considering the death of the respondent Popescu Romeo; steps have been initiated to identify the heirs. Case reinstated, appeal dismissed as unfounded. A recourse was filed.
33	Plaintiff: EL SERV Defendant: directors and administrators 2010-2014 35828/3/2019	Action in attracting the liability of directors and administrators - measure II.8 of Decision no.13/27 December 2016 issued by the Romanian Court of Accounts for the amount of RON 19,611,812 + Legal penalties of RON 14,475,832.43.	Bucharest Court of Appeal	The court dismissed the action as it has been modifed and specified, as prescribed. Orders the plaintiff to pay the judicial costs. An appeal was filed, dismissed as unfounded. A recourse will be filed.
34	Creditor: EFSA Debtor: Apaterm S.A. Galati 4783/121/2011*	Bankruptcy – registering to the list of creditors for the amount of RON 2,547,551.	Galati Court	Ongoing proceedings.
35	Creditor: EFSA Debtor: Vegetal Trading SRL Braila 1653/113/2014	Insolvency proceedings - registering to the list of creditors for the amount of RON 1,851,392.	Braila Court	Case closed, the Decision being final on 27 April 2022.
36	Creditor: EFSA Debtor: Ariesmin S.A. Branch 7375/107/2008	Bankruptcy - registering to the list of creditors for the amount of RON 20,711,588.	Alba Court	Ongoing proceedings.
37	Creditor: EFSA Debtor: Zlatmin S.A. Branch 6/107/2003	Bankruptcy - registering to the list of creditors for the amount of RON 9,314,176.	Alba Court	Ongoing proceedings.
38	Creditor: EFSA Debtor: Hidromecanica S.A. 3836/62/2009	Bankruptcy - registering to the list of creditors for the amount of RON 4,792,026.	Brasov Court	Case closed, the decision being final on 13 April 2021.
39	Creditor: EFSA Debtor: Nitramonia S.A. 1183/62/2004	Bankruptcy - registering to the list of creditors for the amount of RON 2,321,847	Brasov Court	Ongoing proceedings.

Crt. no.	Parties/Case file number	Object	Court	Case status
40	Creditor: EFSA Debtor: Remin S.A. 32/100/2009	Insolvency proceedings - registering to the list of creditors for the amount of RON 71,443,402.	Timisoara Court	Ongoing proceedings.
41	Creditor: EFSA Debtor: Oltchim S.A. 887/90/2013	Bankruptcy - registering to the list of creditors for the amount of RON 21,349,705.	Valcea Court	Ongoing proceedings.
42	Creditor: EFSA Debtor: Energon Power and Gas S.R.L. 53/1285/2017	Insolvency proceedings - registering to the list of creditors for the amount of RON 2,421,236.	Cluj Specialized Court	Ongoing proceedings.
43	Creditor: EFSA Debtor: CUG S.A. 2145/1285/2005	Bankruptcy - registering to the list of creditors for the amount of RON 7,880,857.	Cluj Specialized Court	Ongoing proceedings.
44	Creditor: EFSA Debtor: Colterm 4657/30/2021	Inslovency - registered to the list of creditors for the amount of RON 2,520,449.97	Timis Court	Ongoing proceedings.
45	Plaintiff: EFSA Defendant: ELSA 6665/3/2019	Claims: request of payment rearding the invoices paid without supporting documents, as it has been stated by the Court of Account – RON 7,025,632.	High Court of Cassation and Justice	The First Instance court dismissedthe claim of EFSA . The Decision has been appealed and dismissed by the Court. EFSA filed a recourse, in course of settlement.
46	Plaintiff: EFSA Defendant: natural persons Called in guarantee: ELSA 35647/3/2019	Claims according to art. 155 of Companies Law no. 31/1990 for the amount of RON 7,128,509.	High Court of Cassation and Justice	Dismisses as prescribed the action filed by the plaintiff EFSA. and dismisses as objectless the waranty claims issued by the defendants, two former directors and one former general manager, against ELSA. The amount for which ELSA was called as collateral is around RON 6,232,398, representing the main debit, to which are added interest and payment of any other amounts that the court may charge. EFSA filed appeal, dismissed as unfounded. Against the Decision a recourse was filed, canceled by the Court. Final.
47	Plaintiff: UAT Targu Secuiesc Defendant: EFSA 886/119/2022	Claims – RON 2,718,151.15	Covasna Tribunal	In course of settlement.
48	Reclamant:EDPR Romania SRL Parat: EFSA 19662/3/2022	Claims – RON 7,128,509	Bucharest Tribunal	In course of settlement.
49	Plaintiff: EL SERV Defendant: ENEL DISTRIBUTIE MUNTENIA S.A. 4233/2/2020 (former no. 24088/3/2015)	Claims. Late payment penalties regarting the litigation with Autocourier S.R.L. in amount of RON 3,068,929.67 according to the Agreement no. 1055/2002 as well as delay penalties for the main debt of RON 5,605,351.26 calculated after 30 June 2015 untill the entire payment of the main debt.	High Court of Cassation and Justice.	Case admitted in retrial on merits. The appeal filed by Enel against the decision favorable to SEM was dismissed. E-Distributie filed an appeal, dismissed as unfounded. Final.
50	Plaintiff: Ivan Laura Ionela Ivan Cornel Ionut Ivan Vladimir Mihai Defendant: EL SERV 34705/3/2015	Civil liability - work accident resulting in employee death (amount of compensation claims – EUR 3 mn.).	Bucharest Court	Case suspended according to art. 413 alin. 1 par. 1 Civil Procedure Code. (criminal case ongoing).
51	Plaintiff: Cazacu Maria Defendant: DEER 7212/200/2020	Liability of the principal for the act of the defendant- work accident resulting in death of an AISE employee (amount of compensation claimed: EUR 510,000)	Buzau Court	In course of settlement.

Crt. no.	Parties/Case file number	Object	Court	Case status
52	Plaintiff: Pricopie Stefan Defendant: DEER 12807/231/2019	Faulty killing (art.192 NCP) - third party electric shock (amount of damages claimed: EUR 500,000)	Galati Court of Appeal	In appeal, on 24 June 2022, the Court admits the appeal declared by the civil party Pricopi Stefan. Partially abolishes the criminal sentence no. 160/11 February 2022 of the Focsani District Court, removing the provisions regarding the acquittal of the defendant, in retrial: it orders the termination of the criminal proceedings initiated against the defendant DEER. - Focsani Branch, for committing the crime of culpable homicide. Maintains the other provisions of the appealed criminal sentence. Definitive.
53	Plaintiff: DEER – Defendant: COS Targoviste 1906/120/2013	Insolvency – banckrupcy – total amount: RON 5,589,482.51 out of which RON 1,357,789.92 – amount at the list of creditors and RON 4,231,692.59 - current receivables.	Dambovita Court	Ongoing procedure. From the total receivables, the amount of RON 3,255,350.39 represents the current receivables, for which a payment request was formulated which is the object of the file 2478/120/2021, admitted on merits; the decission is final, the current receivables being recoverd.
54	Plaintiff: DEER Defendant: Prutul SA 4798/121/2019**	Claims: RON 4,343,437	High Court of Cassation and Justice	On the merits, the court admitted the exception of inadmissibility. The solution was confirmed in the appealed. A recourse was filed by DEER, definitively dismissed on 17 May 2022.
55	Plaintiff: Verta Tel SRL Defendant: DEER 4106/3/2021	Claims – contractual liability: RON 2,009,233	High Court of Cassation and Justice	Case dismissed on merits. Appeal partially admitted with reference to retrial end 3 request. Recourse in course of settlement.
56	Plaintiff: DEER Defendant: Getica 95 SRL 1666/114/2021	Insolvency – registration at the list of creditors for the amount of RON 26,283,220.67	Ploiesti Court of Appeal	The court admitted the request to close the insolvency procedure. Definitive. Amount fully recovered. Appeal in course of settlement.
57	Plaintiff: DEER Defendant: AEM S.A. 1347/119/2021	Claims – contractual liability – RON 2,851,297.30	Covasna Court	In course of settlement.
58	Plaintiff: Rebrean Gheorghe Defendant: DEER 1635/112/2022	Claims - the plaintiff requests moral damages in the amount of EUR 500,000 thousand and RON 370 material damages as a result of the bodily injury by electric shock committed on 12 August 2020.	Bistrita Nasaud Tribunal	In course of settlement.
59	Plaintiff: DEER Defendant: Electric Planners SRL 25660/3/2022	Claims – contractual liability – RON – 2,553,038.40.	Bucharest Tribunal	In course of settlement.

Source: Electrica

A.1.1.4 Litigations against the Romanian Court of Accounts

Crt. no.	Parties/Case file number	Object	Court	Case status
1	Plaintiff: ELSA Defendant: Romanian Court of Accounts 2268/2/2014*	Suspension and cancellation of the administrative act: Decision no. 3/14 January 2014 and the Resolution no. 23/17 March 2014.	High Court of Cassation and Justice	First court: the claim is partly admitted, partially cancels the Resolution no. 23 of 17 March 2014 regarding the items 1 and 5 and the Decision no. 3/14 January 2014 regarding the items 4 and 8. Dismisses, as ungrounded the claim regarding items 2, 3 and 4 in the Resolution no. 23/17 March 2014 and items 5, 6 and 7 in the Decision no 3/14 January 2014. Rejects the request to suspend the execution of Decision no. 3/14 January 2014, as unfounded. ELSA and CCR filed an appeal, both being admitted. The court partly admits ELSA's request and sent the case for retrial to the first instance, regarding the annulment of point 5 of the Decision no. 23/17 March 2014, related to point 8 of the Decision no. 3/14 January 2014. Retrial phase: On first instance, the court rejected the plaintiff's request for annulment of point 5 of the Resolution no. 23/17 March 2014, with correspondent in point 8 of the Decision no. 3/14 January 2014 issued by the defendant. With appeal within 15 days from its communication. ELSA has appealed the case, which was finally dismissed on 25 March 2022.
2	Plaintiff: ELSA Defendant: Romanian Court of Accounts 2229/2/2017	Partial annulment of Decision no. 12/27 December 2016, issued by the director of the 2nd Direction from the IVth Department of the Romanian Court of Accounts, regarding the faults from point 1 to 8, with the consequence of dismissing the actions from point 1, 3 to 9 inclusive, imposed to ELSA by the disputed Decision; the partial annulment of the conclusion no. 12/27 February 2017 of the Romanian Court of Accounts, rejecting the objection raised by ELSA against Decision no. 12, regarding the faults and orders mentioned above. In subsidiary, the extension of the deadlines for carrying out all the measures ordered by ELSA through Decision no. 12/27 December 2016 with at least 12 months; the suspension of the enforceability of Decision no. 12 until final settlement of the present dispute.	Bucharest Court of Appeal	In course of settlement.
3	Plaintiff: ELSA Defendant: Romanian Court of Accounts 7780/2/2018	Administrative litigation for annulment of Decision no. 38/9 October 2018, the annulment of the conclusion by which the appeal imposed by Decision no. 12/1 of 27 December 2016 was dismissed, the revocation of the Decision no. 12/1 and the cessation of any CCR control act.	High Court of Cassation and Justice	The court of first instance dismissed the action as inadmissible. ELSA filed an appeal, finally dismissed on 26 May 2022.
4	Plaintiff: EL SERV Defendant: Romanian Court of Accounts 2098/2/2017	Litigations with the Romanian Court of Accounts for the annulment of the administrative act – Decision no. 11/27 February 2017.	Bucharest Court of Appeal	In course of settlement.
5	Plaintiff: DEER Defendant: Romanian Court of Accounts Intervenient: SERV 1677/105/2017	Suspension and annulment of the measures imposed by the Decision of Prahova Court of Accounts no. 45/2016, following the Control Report of the Prahova Court of Accounts no. 6618/11 November 2016.	Prahova Court	Deliberation pending.

Source: Electrica

A.1.1.5 Other litigations with significant impact

Crt. no.	Parties/Case file number	Object	Court	Case status
1	Plaintiff: Niculescu Vladimir Defendant: DEER, City Hall Valenii de Munte 1580/105/2008**	Claim under Law no. 10/2001 – for a land of 1,558 sqm and built area of 202 sqm, located in Valenii de Munte, 129, N. Iorga street and being used by the Exploitation Center Valeni.	Prahova Court	In first instance, the plaintiff's action was partly admitted, it is acknowledged the right to reparative measures by equivalent for the land of 1,402 sqm located in Valenii de Munte, 129, Boulevard. Nicolae Iorga (currently no. 131), Prahova County. The Plaintiff and Valenii de Munte Town Hall filed an appeal. The Plaintiff's appeal was admitted and the case was sent for retrial to the first instance. In the retrial, the first instance court admitted the right of the plaintiff to compensatory measures under the law regarding some measures for completing the restitution process of the buildings taken over abusively, for the land with an area of 1,402 sqm. Definitive.
2	Plaintiff: DEER Defendant: Local Council of Oradea City, RCS&RDS 3340/111/2015	Cancellation of Oradea LCD no. 108/17 February 2014 regarding the organization of the public auction for the concession of the 100,000 sqm land area, in order to realize an underground sewerage for the placement of electronic and electrical communications networks.	Bihor Court	At the request of RCS-RDS, the case was suspended until the case file 2414/2/2016 was settled with Delalina SRL, a file that is in the role of the Bucharest Court of Appeal. The file no. 2414/2/2016 was definitively solved on 22 March 2021, without a request for reinstatement being formulated, following to be ascertained by the court the expiration of the request, DEER no longer having an interest in supporting the request for summons. Lapse term 28 March 2023
3	Plaintiff: Delalina S.R.L. Defendant: DEER 910/111/2016	The obligation to issue technical permit for connection in the favour of SC Delalina SRL.	Bihor Court	The case file was suspended until the settlement of the case file no. 2414/2/2016 with Delalina SRL, case file on the lawsuit of the Bucharest Court of Appeal. The file 2414/2/2016 was definitively resolved on 22 March 2021, without being formulated by the plaintiff request for reinstatement, reason for which on 24 February 2022 the Satu Mare Court found the expiration of the request for summons, the solution being final.
4	Plaintiff: Carei City and others Defendant: DEER 15600/211/2016*	Claims - it is requested to grant compensation in the form of material and moral damages, caused, by interrupting the supply of electricity to the consumers, in the Carei municipality, during 31 December 2014-02 January 2015.	Cluj Specialized Court	On 21 April 2021, the court rejects the action of a plaintiff as a result of admitting the exception of lack of capacity to use, rejects the exception of lack of active procedural quality of plaintiffs, invoked by defendants, rejects the exception of lack of passive procedural quality of defendant DEER, rejects the exception of lack of procedural quality liabilities of the defendant Electrica Furnizare SA and admits in part the action in contradiction with the defendant ELECTRICA FURNIZARE SA. Dismisses as unfounded the request for formal proceedings by the applicants in the preceding paragraph in contradiction with DEER. Obliges the defendant ELECTRICA FURNIZARE S.A., to pay the moral damages in favor of the plaintiffs in a differentiated way, in the amount of RON 500 for some of the plaintiffs, RON 750 and RON 1,000 for other plaintiffs, rejecting at the same time the moral damages for other plaintiffs. Appeal filed by Electrica Furnizare. In appeal, the court rejects, as unfounded, the main appeal declared by the appellant Electrica Furnizare SA and rejects, as unfounded, the incidental appeal declared by the respondents TN, and MC. Recourse definitively dismissed. Definitely settled at 20 January 2023

Crt. no.	Parties/Case file number	Object	Court	Case status
5	Plaintiff: Delalina S.R.L., Foto Distributie S.R.L. Defendant: DEER, ANRE, Romanian Government, Ministry of Economy, Commerce and Relationships with the Business Environment, Ministry of Energy, Banat Enel Distribution, Muntenia Enel Distribution, Dobrogea Enel Distribution 2414/2/2016	Cancellation of administrative acts (Order 73/2014, Concession agreements).	High Court of Cassation and Justice	First court has rejected the exceptions and the action filed by the plaintiffs, which have initiated an appeal; On 22 March 2021, the court ruled in favor of the company, stating that DEER's (former SDTN) incident appeal was invalid and rejected as unfounded the main appeal filed by Foto Distributie SRL si Delalina SRL. The court rejected as unfounded the appeals filedby E-Distributie Muntenia SA (former Enel Distributie Muntenia), E-Distributie Banat SA (former Enel Distributie Banat) si E-Distributie Dobrogea SA (former Enel Distributie Dobrogea). Dismisses, as unfounded, the cross - appeal brought by the appellant - defendant Ministry of Economy, Entrepreneurship and Tourism (Ministry of Economy) and the cross - appeal filed by the Ministry of Energy against the same sentence. Final.
6	Plaintiff: Delalina S.R.L., Foto Distributie S.R.L. Defendant: ANRE Intervener: DEER 4013/2/2016	The cancellation of the ANRE decision on refusal to give licenses for electricity distribution.	Court of Appeal Bucharest	The file was suspended on 03 April 2017 until the settlement of the file 2414/2/2016. The file 2414/2/2016 was definitively resolved on 22 March 2021, without being formulated by the plaintiffs request for reinstatement, reason for which on 30 March 2022 the Bucharest Court of Appeal found the expiration of the request for summons in judgment, the solution being final.
7	Plaintiff: ELSA Defendant: Baile Herculane City 4572/208/2018*	Claim for land Lot 1-NC 32024 (area of 259 sqm) and lot 2 NC 31944 (with a surface of 1,394 sqm), both located in Baile Herculane, 1, Uzinei street and FC rectification.	Timisoara Court of Appeal	The first court admits the exception of the lack of active procedural quality of ELSA and dismisses the action. ELSA filed an appeal, dismissed as unfounded. ELSA filled an appeal, admitted by court, which sends the case for retrial to Caras Severin Court. Retrial – the appeal was dismissed as unfounded. ELSA filed a recourse, definitively dismissed by the Court.
8	Plaintiff: E-Distributie Banat Defendant: ELSA 12857/3/2019	(i) ELSA's compliance with the obligation of not to do regarding the share capital and the AoA of the EDB and the termination of abusive actions consisting of the requests addressed to the ONRC to change the structure of the share capital and the articles of association of the EDB by increasing the share capital with the value of the land in the Certificates of attestation of the property right held by ELSA on the land used by EDB in order to carry out the activity; (ii) Stating the fact that Electrica does not hold the quality of public authority involved in the privatization process and, consequently, acknowledging the absence of the right of ELSA to request ONRC to modify the constitutive act of the EDB by increasing the share capital with the value of the land owned by ELSA based on CADP on the used land from EDB; (iii) As against to the abusive actions taken in the EDB's opinion, ELSA's obligation to pay the damages whose existence and amount will be proved by the deadline provided by law.	Bucharest Court of Appeal	Case dismissed on merits; appeal definitively dismissed by the court.
9	Plaintiff: ELSA, SAPE Defendant: E-Distributie Banat 949/39/2019	Action for the annulment of Shareholders resolution 5/06 December 2018 (share capital increase for SAPE).	Timisoara Court of Appeal	Case dismissed on merits; an appeal was filed, in course of settlement. At this case was connected the case no. 988/30/2019.

Crt. no.	Parties/Case file number	Object	Court	Case status
10	Plaintiff: ELSA Defendant: UAT Targu Neamt 122/321/2020	1. obliging the defendant to leave us in full ownership and possession of the land with an area of 3,389 sqm, located in Targu Neamt, 2. rectification of the entries from the land book no. 55409 of the City of Targu Neamt, in the sense of elimination of the inappropriate registrations made in it, in order to agree the tabular status with the real legal situation of the building, respectively the cancellation of the property right of the tabular owner Targu Neamt City and the registration of the property right of the Energy Company Electrica SA 3. Order the defendant to pay the court costs.	Bacau Court of Appeal	The action was definitively dismissed on merits on 04 April 2022.
11	Plaintiff: ELSA Defendant: UAT Bicaz 91/188/2020	1.obliging the defendant to leave us in full ownership and possession of the land in the area of 10,524 sqm (from documents 22,265 sqm), located in Bicaz, Neamt county. 2. rectification of the entries from the land book no. 52954 of Bicaz City, in the sense of elimination of inappropriate entries made in it, in order to agree on the tabular status with the real legal situation of the building, respectively the cancellation of the property right of the tabular owner Bicaz City and the registration of the property right of Societatea Energetice Electrice Electrica S.A. 3. Order the defendant to pay the court costs.	Bacau Court of Appeal	The court of first instance partially annuls the Decision of the Local Council of Bicaz no. 94/25 August 2016, respectively regarding the surface of 10,524 sqm of urban land 3, Bicaz, Energiei street (former Plant), located at the last position of the table in the Annex to HCL no. 94/25 August 2016, following the admission of the exception of illegality, invoked by the plaintiff. Dismisses the action brought by ELSA as unfounded. Admits in part the action in the rectification of the land book. It orders the rectification of the Land Book no. 52954 of the City of Bicaz, regarding the land with an area of 10,524 sqm, located in Bicaz, 3, Energiei street, Neamt County (former Uzinei), in the sense of deleting the property right of the defendant Bicaz city, as a result of the partial annulment of HCL no. 94/25 August 2016, regarding this land. Rejects as unfounded the applicant's request to order the rectification of the Land Book no. 52954 of the City of Bicaz, regarding the land with an area of 10,524 sqm, located in Bicaz, 3, Energiei street, Neamt County (former Uzinei), in the sense of registering the ELSA property right over the above mentioned land. ELSA filed an appeal, dismissed by the court. The decision was appealed, the recourse being definitively dismissed on 09 January 2023.
12	Plaintiff: ELSA Defendant: Videle City, through Mayor 948/335/2020	1.obliging the defendants to leave us in full ownership and possession of the land surfaces that overlap with the land located in 1, Aleea FRE street, Videle, Teleorman county, for which we hold CADP. 2. the delimitation of the above-mentioned properties, by establishing the boundary line according to the property deeds of the parties; 3. rectification of the entries in the land book and registration of the property right of the plaintiff ELSA on this area of land	Videle Court	Admits in part the request for summons and consequently: establishes the land line boundary of the plaintiff's property (ELSA) on the current boundarylines, outlined on the situation plan related to the completion of the expert report, with the coordinates indicated by the expert, land delimited points 1-2-3-4-5-6-7-8-9-10-11-12-13-14-15-16-17-18-19-20-21-22-23. It orders the rectification of the land book no. 23176 by repositioning, in order to eliminate any virtual overlap between the land belonging to the plaintiff, with the boundary line as previously established, and the land registered in this land book. Dismisses the action as unfounded. Appealable within 30 days from it's communication. Definitively settled.
13	Plaintiff: DEER Defendant: ANARC (ANCOM) andTelekom Romania Communications SA 7407/2/2020	Appeal against Decision no. 1177 / 13 November 2020 of the ANARC President. It was requested the partial annulment of the ANCOM decision and the complete rejection of the Telekom Romania request.	Bucharest Court of Appeal	Action dismissed on the merits. With appeal within 15 days from communication.
14	Plaintiff: Valenii de Munte City Hall Defendant: DEER 2848/105/2020	Valenii de Munte City Hall requests the obligation of DEER (Ploiesti) to take over public lighting installations and to pay their equivalent value of RON 466,880.	Prahova Court	Action dismissed on the merits. With appeal within 15 days from communication.

Crt. no.	Parties/Case file number	Object	Court	Case status
15	Plaintiff : ELSA and the subsidiaries Defendant: Romanian Government 3781/2/2020	Annulment of administrative act: Government Decision 1041/2003 on some measures to regulate the facilities granted to pensioners in the electricity sector.	High Court of Cassation and Justice	Case dismissed on merits; it was filed an appeal, admitted by the court on 27 June 2022. The court annuls the Government Decision no. 1041/2003 on some measures to regulate the facilities granted to pensioners in the electricity sector. Final.
16	Plaintiff: Grup 4 Instalatii Defendant: DEER 375/1285/2021	The obligation of DEER to recognize, to respect the property right of G4Installatii regarding the buildings located in Cluj Napoca, 28A, Ilie Macelaru Street and 2, Uzinei Electrice Street, registered in land book 297841 Cluj Napoca with no. 297841, consisting of land with an area of 10720 sqm and constructions: construction registered in land book with no. 297841-C1, construction of administrative headquarters with an area of 1560 sqm; body A, construction no. 297841- C2 - 512 sqm, building B, construction no. 297841 - C3 - 171 sqm, building C, construction no. 297841 - C4 - 338 sqm, building D, construction no. 297841-C6 - 348 sqm - 110/10 Kw Transformation Station. It is requested the handing over of the above buildings and the rectification of the land book registrations in the sense of: the annulment of the tabulation conclusions by which the DEER property right was registered, the deregistration of the land book property right, the registration of the property right in favor of G4I.	Cluj Tribunal	The court admits the exception of the material incompetence of the Cluj Specialized Tribunal, an exception invoked ex officio and consequently declines the competence to resolve the request for summons in favor of the Cluj Tribunal-Civil Section. Case admitted in part. Appealable within 30 days from it's communication.
17	Plaintiff: ELSA Defendant: Kaufland Romania SCS, Deva City, through the Mayor and Deva City Council 156/221/2021	1. obliging the defendants to leave us in full ownership and possession of the land surfaces that overlap with the ELSA land located in Deva municipality, 1, Dorobanti street, Hunedoara county, as follows: (a) Kaufland Romania SCS - land areas of 15 sqm and 50 sqm (part of the Kaufland Deva parking lot), identified by IE 68452, which overlap to the N-W with the land owned by Electrica; (b) Deva Municipality, through the Mayor and the Local Council of Deva Municipality - land areas: (i) 2 sqm (part of the "Playground for children"), identified by IE 71851, which overlaps to the NE with the land in the ownership of Electrica and (ii) of 23 sqm (part of "Calea Zarandului"), identified by IE 75973, which overlaps to the SW with the land owned by Electrica; 2. the delimitation of the above-mentioned properties, by establishing the boundary line according to the property deeds of the parties; 3. rectification of the entries in the land book regarding the above-mentioned land areas, in the sense of eliminating the inappropriate entries made, in order to reconcile the tabular status with the real legal situation of the real estate, respectively of the cancellation of the property right tabular owners and the registration of the property right of the applicant ELSA over these land areas.	Hunedoara Tribunal	Action admitted in part. ELSA filed an appeal, debating pending on the lack of material competence of the court.

Crt. no.	Parties/Case file number	Object	Court	Case status
18	Plaintiff: ELSA Defendant: UAT Chisineu Cris 2143/210/2020	1. obliging the defendant to leave us in full ownership and possession of the land with an area of 529 sqm identified with Cadastral no. 306526, registered in the land book no. 306526 Of Chisineu Cris, County Arad, located in Chisineu Cris, 63, Infratirii street, Arad county, as well as the land with an area of 121 sqm, identified with Cadastral no. 306527, registered in the lank booj no. 306527 of Chisineu Cris, County Arad, located in Chisineu Cris, 63, Infratirii street, Arad County. 2. rectification of the entries in the land books no. 306526 and 306527 of the City of Chisinau Cris, in the sense of eliminating the inappropriate entries made, in order to reconcile the tabular status with the real legal situation of the buildings, respectively the cancellation of the property right of the tabular owner Chisinau Cris City and registration of the property right of ELSA 3. Order the defendant to pay the costs.	Timisoara Court of Appeal	Case dismissed on merits and in appeal. It was filed a recourse, definitively dismissed by the court.
19	Plaintiff: Alexandra Borislavschi Defendant: ELSA ARB - 5670	1.Obligation of the defendant to pay to the plaintiff the amount of RON 166,738, representing the percentage of 55% of the OAVT package, in accordance with the provisions of Annex 3 to the mandate contract no. 42/10 August 2015. 2. Obligation of the defendant to pay to the plaintiff damages for non-execution of the obligation to pay the percentage of 55% of the OAVT package. 3. Obligation of the defendant to pay the amount of RON 11,973, representing the annual variable remuneration for 2018. 4. Obligation of the defendant to pay the amount of RON 24,756, representing the annual variable remuneration related to 2019. 5. Updating the amounts provided in the preceding items, with penalizing legal interest. The asked damages should be calculated as the legal penalty interest plus 8% payable per each day of delay as of the date of the registration of the claim until the payment of the 55% of OAVT package by the defendant. 6. Obligation of the defendant to pay the expenses incurred by the request for arbitration.	Vienna International Arbitral Centre	Solved by transaction, on 07 February 2022
20	Creditor: Eurototal Comp SRL Debtor: DEER 1221/1285/2022	Insolvency – RON 1,255,000	Cluj Court of Appeal	The amount has been entirely paid on 3 January 2023 and the creditor waived the trail of the insolvency request, subsequently filing a recourse. Term for recourse: 11 April 2023.

Source: Electrica

Appendix 2 – Details of the main investments of Electrica Group during 2022

In 2022 the most significant investments of Electrica Group are the following:

DESCRIPTION	Value (RON mn)
MUNTENIA NORD	
Modernization and SCADA integration of the 110/20/6 kV Buzau Est substation	6.89
Modernization of 20kV OHL by replacement of insulation and conductors (20kV OHL Urleasca - SR Ramnicelu, 20kV OHL Lacu Sarat - SRPD 1-4, 20kV OHL Romanu - T. Vladimirescu and 20 kV OHL Gropeni - Tichilesti)	4.64
Modernization of distribution network in Zidari neighbourhood, Rm. Sarat, locality, Buzau County	4.30
Integration of “industrial & commercial consumers” from SDEE MN area in automatic meter reading systems	4.07
Modernization of distribution network in Foltesti locality, PTA 7054 CAP, PTA 7052 no. 6, PTA 7051 VA, PTA 7055 Moara and PTA 7056 CFR area, Galati County	3.42
Voltage level improvement for consumers in Dambovita County, commune Odobesti, Ziduri, Crovu, Brancoveanu, Miulesti localities.	3.24
20 kV OHL modernization by replacing 20 kV OHL insulation and conductors Faurei-Faurei, Braila County	2.83
Modernization of Substation 20/6kV Grup Scolar Sinaia	2.56
Modernization of distribution network in the area of PTA 0343 Pogonele and PTA 0108 Pogonele locality, Buzau County	2.46
Modernization of 0.4kV OHL and consumer connections from Movila Miresii locality	2.28
Installation and/or modernization of security access systems consisting of: anti-intrusion, access control systems and closed-circuit television, at the units within SR Ploiesti, 16 objectives	2.07
Voltage level improvement for consumers supplied from LV OHL in Valeni locality, Dambovita County	2.04
Creating the coexistence conditions with the existing electrical networks, requested for obtaining the location permit for the Galati ring road, between Brailei street (DN25) and Calea Prutului Street (E87), Galati municipality	1.95
Increasing the power supply reliability of consumers supplied from OHL 20 KV Plopu – loop between OHL 20 KV Plopu and OHL 20 KV Pleasa 2, Prahova County	1.85
Voltage level improvement, commune Tartasesti, localities Baldana, Tartasesti, Gulia, Dambovita County	1.79
Modernization of the heating installation in administrative headquarters with the dispatching office of SR Buzau	1.76
Voltage level improvement for consumers in commune Contesti - villages Contesti, Savesti, Crangasi, Mereni, Calugareni, Boteni	1.63
Modernization of electricity distribution network and connections in Sihlea locality, Vrancea county	1.57
Modernization of electricity distribution network in Jorasti locality, Vanatori commune Vrancea county	1.52
Voltage level improvement PTA 5008 CIA, PTA 5184 IRE, PTZ 5136 CTA, in Gaesti locality, DN 7 area, Dambovita County	1.45
Modernization and integration in SCADA of the 110/MV Zatna substation, Braila County	1.41

DESCRIPTION	Value (RON mn)
Installation of security, access control, video surveillance, fire detection and signaling systems for 12 facilities: COR MT JT Valeni headquarters; 20kV Mihai Bravu substation + COR MT JT Ploiesti; PE Mizil; 20kV Sinaia + PE Sinaia substation; 20kV Slanic + PE Slanic substation; PE Boldesti; 110kV Floresti substation (system update) + PL Floresti + Floresti Central Warehouse; 110kV Tatarani substation (system update) + PL Tatarani; 110kV Urlati + PL Urlati substation; Baltesti 110kV substation (system update); 110kV East Ploiesti substation (system update); connection pole of 110kV Crang substation; Route of connection cable channel to Movila Vulpii substation	1.37
Modernization of 110 kV substations: Filesti, SNG, Tecuci, Ionasesti, replacing 4 pcs. 110/6 kV power transformers	1.36
Voltage level improvement for users in Racari, PT 6156, 6061, 6060,6129,6222,6062, area Dambovita County	1.34
Upgrade and integration in SCADA of secondary circuits related to substations within DEER SA - SDEE Galati - 13 substations	1.19
Installation of security, access control, video surveillance, fire detection and signaling systems for 8 facilities in SROR Galati: COR MV LV Mun. /Ext. Galati; COR MVLV Tecuci; PL Pechea; PL Tg. Bujor; Wearhouse 03GL; Abator 110/20 kv substation and Antrepozit 20/6 kV connection Station, Bujoru 110/20 kV substation; Foltesti 110/20/6kV substation	1.20
Modernization of LV distribution network in Matca locality, Galati County, area of PTA 4207 Matca 2 si PTA 4206 Matca, stage 1	1.17
Voltage level improvement in localities: Odaia Turcului, Cretulesti, Poroinica, Putul cu Salcie, Salcioara, from Matasaru commune, Dambovita County	1.16
Increasing the power supply reliability of consumers supplied from 20 KV OHL Plavia, Iordacheanu feeder and 20 kV OHL Mizil, Fantanele feeder	1.08
SOC (Security Operations Center) implementation and standardization of Security Technologies used (SOC DEER)	1.08
Modernization of distribution network and connections in Podul Lacului locality, Poiana Cristei commune, Vrancea County	1.07
Installation of security, access control, video surveillance, fire detection and signaling systems for 8 facilities in 3 sites SROR Braila: Operational distribution Center MV/LV Braila Exterior-Working Point Insuratei; 110/20 kv Faurei Substation; 110/20 kv Romanu Substation	1.05
Modernization of 110 kV substations: Km 221- replacement of 110/6kV power transformer (Trafo 2), Spiru Haret- replacement of 110/6kV power transformer (Trafo 3), SRPA 1A Lacu Rezii- replacement of 110/6kV power transformer (Trafo 2)	1.05
Modernization of distribution network and voltage improvement in PTA 5447 nr 1 si PTA 5449 area, Cismele locality, Smardan commune	1.04
Modernization of UGC 20KV Focsani	1.03
Modernization of Energy Meter Box of residential buildings supplied from PTZ 0078 - PTZ 0106, Milcovului street, Campina City, Prahova County	1.03
Voltage level improvement in Salciile village, Prahova County	1.00
TRANSILVANIA SUD	
Modernization of LV network commune Apoldu de Jos, Sibiu County	5.36
Modernization of LV OHL and connections in Hodac locality, Mures County	3.45
MV network decentralization in Vladeni, Principala street (PT 8 CFR Vladeni - in consumer management) and connections modernization, systematization and securing in Vladeni locality, Brasov County	2.09
Voltage level improvement and modernization of LV OHL and connections in Deda locality, Mures County	1.69
Security of supply and voltage level improving of 20 kV network in Regin, Mures County	1.78
Modernization of 0.4 kV OHL Blaj, on streets: Eroilor (partially), Fabricii, Locomotivei, Fochistilor, Ceferistilor, Dr. V. Suciu, I.M. Klein, Gh. Sincai and A. Muresanu, Blaj municipality, Alba County- stages 1,2 and 4	1.90
Modernization of OHL 20 kV Baita locality, Alba County - Stage 1	1.66
Decentralization of the MV network in the area “Pompe Apa”, switchover to 20 kV of the MV network, Sanpetru locality, Brasov County	3.89
Voltage level improvement and modernization of LV OHL in Saulia de Campie, Mures County	1.62
Spare supply for 20 kV busbars construction- Sanpaul substation, Mures County	2.73
Modernization of 20 kV distribution network Sovata – Oras2, Sovata locality, Mures County	1.48
Voltage level improvement and connections securing in Vatava locality, Mures County	1.25

DESCRIPTION	Value (RON mn)
Voltage level improvements in PTA 9 Harman area, Domnitorilor neighborhood, Brasov County	1.50
Decentralization of MV OHL, conductors' replacement for LV OHL, modernization of connections, Daisoara locality, Brasov County	1.88
Integration of CEM 110 kV Mures substations in the SCADA DMS system of S.C. FDEE Electrica Distributie Transilvania Sud S.A.	1.27
Increasing the capacity of 20 kV distribution network, Drumul Poienii-Schei area, Brasov city	3.57
Modernization of 0.4 kV distribution network in Dumbraveni locality, Sibiu County	3.06
Modernization of 20kV UGC in Brasov City, streets: Ioan Eliade Radulescu, Dimitrie Anghel, Abatorului, Grigore Ureche, Nicolae Pop, Independentei	2.87
Voltage level improvement and LV OHL modernization in Bucerdea Granoasa, Alba County	2.83
Upgrade of SCADA DMS DEER System - UOR Transilvania Sud	2.82
Voltage level improvement and 0.4 kV OHL modernization in Salciua de Jos village, Alba County	2.11
Site Clearance works for the achievement of the objective - Reducing carbon emissions in the City of Cugir, based on the sustainable urban mobility plan, Alba County - City Hall of the City of Cugir	2.08
Works to increase the network capacity, upstream of the connection point in the Stupini station (for the Milk Processing Factory), Brasov County	1.93
Modernization of 20kV distribution network in the area of 110/20 kV Barabant substation, Alba Iulia Municipality, Alba County	1.76
Increasing the power supply reliability of 20kV network in Triaj neighbourhood, Sanpetreu commune and voltage level increasing in area Oneves, Brasov County	1.70
Modernization of 0.4 kV OHL in central area of Reghin City, PT 14, 55/15, 71, 65 area, Mures County	1.64
Modernization of 0.4 kV distribution network and connection on streets Budiului, Bega, Mestecanisului, Tg. Mures city, Mures County	1.54
The integration of the reclosers from SROR Mures, Mures county, into the existing remote-control system of SDEE TS	1.47
Voltage level improvement in OHL Ojdula, Covasna County	1.46
Modernization of UGC 20 kV (Zizin Substation– PT 53.27.02 Cosmos, UGC 20 kV PT 53.27.02 Cosmos-PT 53.27.05; UGC 20 kV st. Zizin - PT 53.25.01 Orizont 3000 – UGC 20 kV PT 53.25.01 Orizont 3000-PT 53.25.02; UGC 20 kV PT 53.25.18-PT 53.25.03), related to Minerva, Neptun, Apollo, Saturn, Calea Bucuresti, Zorilor, Ciprian Porumbescu, Muncitorilor streets, Brasov Municipality, Brasov County	1.37
Modernization of 0.4 kV network and connections in the area Piata Onesti and Str. Mioritei, Targu Mures Municipality, Mures County	1.26
Modernization of urban networks (changing 0.4KV OHL to UGC) on streets: 1 Decembrie, Puskas Tivadar, Ciucului, jud. Covasna Sf Gheorghe Municipality, Covasna County	1.17
Voltage level improvement and modernization of 0.4 kV OHL and connections in Valea Barni and Barbesti, Alba County	1.10
Modernization of 0.4 kV distribution network in Alma Vii village, Mosna commune, Sibiu County	1.01
Modernization of 0.4 kV distribution network, Barghis commune, Sibiu County	1.00
Voltage level improvement and modernization of 20kV and 0.4 kV OHL and connections in Sangiorgiu de Mures and Cotus localities, Mures County, Volume I - Cotus and Tofalau villages	1.00
TRANSILVANIA NORD	
Modernization of LV OHL and connections in Rus locality, PTA1 and PTA2 area, Maramures County	1.02
Switchover to 20 kV of substations PA 1, PA 2 and PA 6 Baia Mare	2.87
Modernization of SCADA communication remote-controlled equipment Baia Mare Branch	1.02
Modernization of low voltage OHL and connections in the area PT 1, PT 2, PT 3, PT 4, PT 6 Berinta, Maramures County	1.82
Modernization of 20 kV OHL Alesd-Fasca	1.98
Power injection in the South and West areas of Biharia locality, Bihor County	1.68
Increasing the power supply reliability in area Paleu, Bihor County	1.52
Modernization of LV OHL Tulca	1.60
Modernization of LV OHL and power injection in Cubulcut locality, Bihor County	1.28

DESCRIPTION	Value (RON mn)
Modernization of low voltage networks in Baia Mare municipality, historical centre, stage 2	1.58
Modernization of 20 kV OHL Leordina, Volume 1	1.15
Modernization of the Sarmasag 110/20 KV substation	3.90
Modernization of MV OHL Juc Geaca between R Gadalin and R Geaca	2.14
Increasing the power supply reliability in Floresti, Cluj County, vol. 5, Modernization of Abator Fider and construction of Cimitir and Polygon Fiders	1.71
Increasing the power supply reliability in Floresti locality, Cluj County- Vol.6 Modernization of Iazuri Fiders	1.28
Systematization of 20 KV UGC D1, D2, D3 exit from Gherla Substation and increasing the reliability of consumers supply by mounting a new secondary substation PTAB, Gradinarilor street, Gherla locality, Cluj County	1.66
Systematization of feeders exit from 110/20/10 KV Campului Substation and modernization of feeders Manastur 9, Manastur 10 and UAC Manastur neighborhood, Cluj-Napoca Municipality, Cluj County	1.14
PTA relocation and 0.4 kV OHL modernization including connections in the Valea Calda PTA area, loc. Valea Calda, Cluj County	1.00
Modernization and relocation of PTA Negrilesti, PTA Negrilesti 2, PTA Negrilesti 3 and modernization of LV OHL and connections in these area, Negrilesti locality	1.02
Increasing the power supply reliability, modernization of 20 kV and 0.4 kV UGC in Fabricii Zalau street area and energy quality improving for consumers supplied from PT Mase Plastice	1.19
Extension of public distribution network in Poienile de sub Munte locality, Cornatea area, Maramures County	1.42
Extension of public distribution network in Grosii Tiblesului locality, Valea Tiblesului (Bradului) area, Maramures County	1.05
Development of Intelligent Measurement Systems SMI Cluj - stage 2 Gherla 2022	1.96
Intelligent Measurement System 2021 DEER Cluj-rural regional structure	2.64

During 2022, the largest transfers from tangible assets in progress to tangible assets, representing mainly commissioning of investments, are the following:

DESCRIPTION	Value (RON mn)
MUNTENIA NORD	
Modernization and integration in SCADA of the 110/20/6 kV Buzau Est substation	7.24
Modernization of 20kV OHL by replacement of insulation and conductors (20kV OHL Urleasca - SR Ramnicelu, 20kV OHL Lacu Sarat - SRPD 1-4, 20kV OHL Romanu - T. Vladimirescu and 20 kV OHL Gropeni - Tichilesti)	4.31
Voltage level improvement for consumers supplied from LV OHL in Valeni locality, Dambovita County	3.93
Modernization of distribution network in the area of PTA 7054 CAP, PTA 7052 no. 6, PTA 7051 VA, PTA 7055 Moara and PTA 7056 CFR, Foltesti locality, Galati County	3.67
Modernization of distribution network in the area of Zidari neighbourhood, Rm. Sarat, locality, Buzau County	3.51
Modernization of 20 kV OHL Faurei - Faurei by replacing insulation and conductors, Braila County	2.20
Installation and/or modernization of security access systems consisting of anti-intrusion, access control systems and closed-circuit television, for 16 objectives within SR Ploiesti	2.10
Modernization of 0.4kV OHL and consumer connections from Movila Miresii locality	2.07
Modernization of distribution network in the area of PTA 0343 Pogonele and PTA 0108 Pogonele locality, Buzau County	2.07
Modernization of electricity distribution network in Jorasti locality, Vanatori commune Vrancea county	1.93
Voltage level improvement for consumers in commune Contesti - villages Contesti, Savesti, Crangasi, Mereni, Calugareni, Boteni	1.85
Modernization of the heating installation in the administrative headquarters with dispatching office of SR Buzau	1.79
Installation and/or modernization of security systems consisting of: anti-burglary, access control and closed-circuit television, at units within SR Braila - 17 objectives	1.68
Increasing the power supply reliability of consumers supplied from 20 KV OHL Plopu – loop between 20 KV OHL Plopu and 20 KV OHL Pleasa 2, Prahova County	1.59

DESCRIPTION	Value (RON mn)
Installation of security, access control, video surveillance, fire detection and signaling systems for 12 facilities: COR MT JT Valeni headquarters; 20kV Mihai Bravu substation + COR MT JT Ploiesti; PE Mizil; 20kV Sinaia + PE Sinaia substation; 20kV Slanic + PE Slanic substation; PE Boldesti; 110kV Floresti substation (system update) + PL Floresti + Floresti Central Warehouse; 110kV Tatarani substation (system update) + PL Tatarani; 110kV Urlati + PL Urlati substation; Baltesti 110kV substation (system update); 110kV East Ploiesti substation (system update); connection pole of 110kV Crang substation; Route of connection cable channel to Movila Vulpii substation	1.46
Modernization of electricity distribution network and connections in Sihlea locality, Vrancea county	1.40
Voltage level improvement, Dambovita County, commune Tartasesti, localities Baldana, Tartasesti, Gulia	1.37
Upgrade and integration in SCADA of secondary circuits related to substations within DEER SA - SDEE Galati - 13 substations	1.20
Modernization of distribution network and connections Podul Lacului Locality, Poiana Cristei commune, Vrancea County	1.20
Modernization of Substation 20/6kV Grup Scolar Sinaia	1.19
Modernization of Energy Meter Boxes in residential buildings, supplied from PTZ 0078 - PTZ 0106 Milcovului street, Campina City, Prahova County	1.15
Voltage level improvement Dragodana commune, Dragodana, Straosti, Burduca, Cuparu localities, Dambovita County	1.13
Installation of security, access control, video surveillance, fire detection and signaling systems for 8 facilities in SROR Galati: COR MV LV Mun. /Ext. Galati; COR MVLV Tecuci; PL Pechea; PL Tg. Bujor; Wearhouse 03GL; Abator 110/20 kV substation and Antrepozit 20/6 kV connection Station, Bujoru 110/20 kV substation; Foltesti 110/20/6kV substation	1.08
SOC (Security Operations Center) implementation and standardization of Security Technologies used (SOC DEER)	1.08
Integration of “industrial & commercial consumers” from MN area in automatic meter reading systems AMR	1.60
TRANSILVANIA SUD	
Voltage level improvement and modernization of LV OHL and connections in Deda locality, Mures County	1.73
Decentralization of the MV network in the area “Pompe Apa”, switchover to 20 kV of the MV network, Sanpetru locality, Brasov County	4.03
Modernization of the 0.4 kV network, Hipodrom 1, 2, 3 area, Sibiu municipality, Sibiu County	4.22
Reconstruction, modernization of PA Textila Prejmer, Brasov County	0.98
MV network decentralization in Vladeni, Principala street (PT 8 CFR Vladeni - in consumer management) and connections modernization, systematization and securing in Vladeni locality, Brasov County	1.5
Modernization of 0.4 kV OHL and connections PT 1 Vidacut, Odorheiu Secuiesc, PL Cristuru Secuiesc localities, Harghita County	0.66
Integration of CEM 110 kV Mures substations in the SCADA DMS system of S.C. FDEE Electrica Distributie Transilvania Sud S.A.	1.63
Modernization of LV network in Apoldu de Jos commune, Sibiu County	6.10
Increasing the capacity of 20 kV distribution network, Drumul Poienii-Schei area, Brasov city	3.56
Modernization of 20kV UGC in Brasov City, streets: Ioan Eliade Radulescu, Dimitrie Anghel, Abatorului, Grigore Ureche, Nicolae Pop, Independentei	3.02
Voltage level improvement and LV OHL modernization in Bucerdea Granoasa, Alba County	2.70
Voltage level improvement and 0.4 kV OHL modernization in Salciua de Jos village, Alba County	2.04
Modernization of 0.4 kV OHL Blaj, on streets: Eroilor (partially), Fabricii, Locomotivei, Fochistilor, Ceferistilor, Dr. V. Suciu, I.M. Klein, Gh. Sincai and A. Muresanu, Blaj municipality, Alba County- stages 1,2 and 4	1.91
Modernization of 0.4 kV distribution network in Dumbraveni locality, Sibiu County	1.89
Power supply of residential buildings in Sibiu city, Calea Surii Mici Street, Sibiu County; estate developer SC Solid Investment S.R.L.	1.82
Modernization of 0.4 kV distribution network, Buzd village, Brateiu commune, Sibiu County	1.82
Increasing the power supply reliability of 20kV network in Triaj neighbourhood, Sanpetreu commune and voltage level increasing in Oneves area, Brasov County	1.79

DESCRIPTION	Value (RON mn)
Modernization of 20kV distribution network in the area of 110/20 kV Barabant substation, Alba Iulia Municipality, Alba County	1.79
Power supply reliability increasing the and voltage level improvement of 20 kV distribution network in Reghin, Mures county	1.78
Site clearance to achieve the objective - Reducing carbon emissions in the City of Cugir, based on the sustainable urban mobility plan, Alba County - City Council of Cugir City	1.77
Works to increase the network capacity upstream of the connection point in the Stupini station (for the Milk Processing Factory), Brasov County	1.77
Modernization of OHL 20 kV loc. Baita, Alba County - Stage 1	1.70
Voltage level improvement and modernization of LV OHL in Saulia de Campie, Mures county	1.69
20 kV network modernization Sovata – Oras2, Sovata locality, Mures County	1.68
Modernization of 0.4 kV distribution network and connection on streets Budiului, Bega, Mestecanisului, Tg. Mures city, Mures County	1.64
Modernization of 0.4 kV OHL in central area of Reghin City, PT 14, 55/15, 71, 65 area, Mures County	1.64
Replacement of 20 kV capacitor bank in 110/20 kV Ludus substation, Mures County	1.56
Modernization of UGC 20 kV (Zizin substation– PT 53.27.02 Cosmos, UGC 20 kV PT 53.27.02 Cosmos-PT 53.27.05; UGC 20 kV st. Zizin - PT 53.25.01 Orizont 3000 – UGC 20 kV PT 53.25.01 Orizont 3000-PT 53.25.02; UGC 20 kV PT 53.25.18-PT 53.25.03), related to Minerva, Neptun, Apollo, Saturn, Calea Bucuresti, Zorilor, Ciprian Porumbescu, Muncitorilor streets, Brasov Municipality, Brasov County	1.48
Voltage level improvement in OHL Ojdula, Covasna County	1.46
Modernization of 0.4 kV network and connections in the area Piata Onesti and Str. Mioritei, Targu Mures Municipality, Mures County	1.41
Modernization of urban networks (changing 0.4KV OHL to UGC) on streets: 1 Decembrie, Puskas Tivadar, Ciucului, jud. Covasna Sf Gheorghe Municipality, Covasna County	1.34
Modernization of LV OHL and connections in Hodac locality, Mures county	1.34
Voltage level improvement and connections securing in Vatava locality, jud. Mures	1.26
Voltage level improvement and modernization of 0.4 kV OHL and connections in Valea Barni and Barbesti, Alba County	1.18
Modernization of 0.4 kV distribution network in Alma Vii village, Mosna commune, Sibiu County	1.02
TRANSILVANIA NORD	
Construction of MV UGC to increase energy supply security for consumers supplied from 110/6 kV CET 1 substation - SDG 6 kV, Oradea Municipality, Bihor County	3.33
Integrated security, monitoring and intervention system for substations within SDEE TN area	3.13
Modernization of 110/20/6 kV Prundu Bargaului substation	3.11
Modernization of low voltage OHL and connections in the area PT 1, PT 2, PT 3, PT 4, PT 6 Berinta, Maramures County	2.65
Modernization of the 110/20 kV Nistru substation	2.60
Modernization of 110kV SM2 substation and construction of 20 kV busbar	2.56
Intelligent Measurement System 2021 DEER Cluj-rural regional structure	4.16
Development of Intelligent Measurement Systems SMI Cluj - stage 2 Gherla 2022	2.07
Development of Intelligent Measurement Systems SMI Cluj – Dej vol.2A	1.33
Systematization of 20 KV UGC D1, D2, D3 exits from Gherla Substation and supply quality improvement for consumers by mounting a new secondary substation PTAB, Gradinarilor street, Gherla locality, Cluj County	2.30
Network decentralization and power injection in Spicului street, Cluj Napoca municipality, Cluj County	2.46
Modernization of MV OHL Juc Geaca between R Gadalin and R Geaca	2.20
Modernization of pole mounted substations, SDEETN – Cluj napoca Branch, Cluj County, Volume 2	1.95
Modernization of the Sarmasag 110/20 KV substation	1.65
Modernization of switching equipment related to MV OHL for the Cluj-Napoca Electric Energy Distribution Branch, Cluj County	2.78
Network decentralization and power injection in Feleacu commune, Sub Coman area	1.11

DESCRIPTION	Value (RON mn)
Modernization of MV UGC in order to increase reliability of power supply: Iosia-PTZ Wagner Station; PTAb Protectia Mediului-PTZ 24 ZV; PTAb Colinelor 2-PTAb Gh.Doja 2-PTAb Gh.Pop de Basesti-STE I	1.51
Modernizaton of 20 KV OHL Beius - Budureasa	1.70
Modernization of 20 kV OHL Palota - Cheresig	1.47
Construction of MV UGC to increase the quality of electricity supply in the Bratca-Valea Crisului area	1.12
Modernization of MV UGC in Central area and Iosia area, Oradea Municipality	1.16
Increasing the power supply reliability in area Paleu, Bihor County	1.57
Systematization of feeders exits from 110/20/10 KV Campului Substation and modernization of feeders Manastur 9, Manastur 10 and UAC Manastur neighborhood, Cluj-Napoca Municipality, Cluj County	1.21
Power injection in 0.4 kV OHL PTA2 Rachitele towards Agastau, from Rachitele locality, Cluj County	1.61
Switching over 20 kV voltage of PA 1, PA 2 and PA 6 Baia Mare substations	2.90
Extension of public distribution network in Poienile de sub Munte locality, Cornatea area, Maramures County	1.36
Modernization of LV network and connections in Preluca Noua, PT 1 and PT3 area	1.04
Network decentralization and power injection in Mozart Street, Cluj Napoca municipality, Cluj County	1.04
SAP system upgrade to EHP8 version	1.03
Modernization of LV OHL Tulca	1.49
Modernization of distribution network in Cluj-Napoca Municipality, 21 Decembrie 1989 Blv area and adjacent streets, Cluj County	1.05
Modernization of SCADA communication remote-controlled equipment Baia Mare Branch	1.02
Modernization of LV OHL and connections in Rus locality, PTA1 and PTA2 area, Maramures County	1.27

Sursa: DEER

Appendix 3 – Applicable regulatory framework

A.3.1 - Applicable legal framework compared to 2022 vs 2021:

A.3.1.1 Distribution activity

2021	2022
• Distribution activity **ANRE** has issued documents for the regulatory framework that requires additional efforts from distribution operators in order to comply with the new requirements: **a) Regulations regarding tariffs:** **The distribution tariffs approved for 2022** were approved by **ANRE Order no. 119/24 November 2021,** the regional average tariffs for DEER having the following increase compared to the 2021 tariffs: MN +8.1%; TN +10.4%; TS +7.4%. **The distribution tariffs approved for 2022 ANRE approved the Order no. 3/20 January 2021** regarding the amendment of the Methodology for distribution tariffs setting approved by ANRE Order no. 169/18 September 2018: - granting a 2% additional incentive to RRR for investments in the electrical distribution network made with own funds within projects in which European non-reimbursable funds were also attracted, if the investments were made and put into operation by operators after 1 February 2021; - if for certain assets categories, the primary legislation establishes other regulated depreciation periods than those provided by the Methodology or by the Catalogue for the classification and normal useful lives of fixed assets, approved by Government decision, the annual regulated depreciation related to those fixed assets is calculated based on the regulated depreciation periods established by the primary legislation.3 **ANRE approved Order no. 101/30 September 2021** for the modification and completion of the **Methodology for establishing the tariffs for the distribution service** - in force since **1 October 2021**: - **Network losses (NL) price:** (i) ANRE has the right to correct the projection of distribution tariffs for a regulatory period of one year if it finds that there have been significant variations in prices on the electricity market, which lead to a significant change in distribution service costs; (ii) at the justified request of the DO, the regulated income of year t+1 may include a cost adjustment with regulated network losses forecast for year t+1, by changing the reference price, depending on the evolution of prices on the electricity market and the result of the analysis on the evolution of tariffs for the current regulatory period. - **Personnel costs** - at the request of the DO accompanied by supporting documents, ANRE may accept in the regulated income for year t+1 a variation of the personnel costs approved for year t+1, generated by the appearance of unforeseen conditions during the substantiation and approval of the forecast. costs. - **Destination of non-household consumption place** - DO are obliged to find non-compliance with the obligation of non-household users to keep the destination of a place of consumption, and in this case, users are obliged to return the value of design and execution works paid by DO, and DO exclude fixed assets from RAB. - **Connection workings done by users** - Fixed assets made in year t of the connection workings paid by users are	**• Distribution activity** **ANRE** has issued documents for the regulatory framework that requires additional efforts from distribution operators in order to comply with the new requirements: **a) Regulations regarding tariffs:** **The distribution rates approved for the year 2022 were approved by ANRE Order no. 119/24 November 2021,** the regional average tariffs for DEER having the following increases compared to the tariffs of 2021: MN +8.1%; TN +10.4%; TS +7.4% - in force from 1 January 2022 As a result of GEO 27/2022, **the distribution tariffs for the year 2022 were modified starting on 1 April 2022 to cover the additional costs related to the NL from the year 2021**. By **ANRE Order no. 28/23 March 2022**, the regional average tariffs for DEER were approved, with the following increases compared to the tariffs of 2021: MN +24%; TN +17%; TS +20%. This tariff increase will allow the recovery of the amount of RON 363 mn. (RON 353 mn. recognized 2021 NL loss to which inflation was applied) representing the difference between the effective average purchase cost of energy for own technological consumption (NL) and the ex-ante price established by ANRE related to the year 2021 in the period 1 April 2022-31 December 2022, which will favorably impact the net result related to the distribution segment in the remaining period of 2022. **ANRE decision no. 610/2022 regarding the approval of the model for the publication of costs regarding the operation, maintenance and development of electric transmission and distribution networks -** in force from 1 May 2022**.** OD will publish quarterly on their own internet webpages, both the realized and the budgeted costs. **ANRE order no. 129/2022 for the approval of the Methodological Norms for the recognition in tariffs of additional costs with the purchase of electricity to cover own technological consumption compared to the costs included in the regulated tariffs** - in force from 19 October 2022 - the quarterly capitalization of the additional costs with NL compared to the costs included in the regulated tariffs, - the capital costs related to the year 2022 are recognized in a distinct component related to the additional cost with NL applicable starting on 1 April 2023, outside the 7% limitations imposed for tariff increases. - the recognized NL price for 2022 will be equal to the reference price calculated as an average among network operators, increased by 5% - the additional cost with NL capitalized in 2023 will be included in the separate NL component applicable in the year 2024 MF order no. 3900/2022 regarding the approval of the **Accounting Specifications in application of the provisions of art. III of the Government Emergency Ordinance no. 119/2022**- in force from 20 October 2022 Capitalized amounts are recorded in accounting through accounting item 208 „Other intangible assets"/distinct

2021	2022
not included in the RAB, but they are recognized in the regulated income for year t+1, by including one-fifth of the refundable value. - **the accounting depreciation of the fixed assets** that are not part of the RAB and that were financed from own resources and for which the DO has assigned the use to a third party is taken into account to gross profit computation from other unregulated activities.	analytical account = 721 „Income from the production of intangible assets", as follows: o on 30 September 2022, for the amounts corresponding to the period 1 January 2022 – 30 September 2022; o on 31 December 2022, for the amounts corresponding to the period 1 October 2022 – 31 December 2022; o on 31 March 2023, for the amounts corresponding to the period 1 January 2023 – 31 March 2023; o on 30 June 2023, for the amounts corresponding to the period 1 April 2023 – 30 June 2023; o on 31 August 2023, for the amounts corresponding to the period 1 July 2023 – 31 August 2023; The amortization of the amounts corresponding to the recognized assets is recorded in the accounting starting with the 1st of the month following each of the periods. **ANRE order no. 98/2022 - for the approval of the Procedure regarding the substantiation and approval of the development and investment plans of the transport and system operator and of the electricity distribution operators** - in force from 12 July 2022 The elaboration of the 10-year development plans of the investment plans for the period or annually is carried out on the basis of an internal OR procedure. The 2023-2033 plan is submitted to ANRE until **1 July 2023**. The 10-year development plan considers: o analyses regarding **the evolution of production and consumption, evaluation of the need for vehicle re-charging points, of the dispatchable consumption potential in the area**; o studies regarding **the digitization and integration of flexibility services required in RED in the medium and long term**; o analysis of the measures and programs intended to ensure **the cyber security of IT systems**; o and includes: o estimated values regarding the impact of delays or non-realization of the investments contained in the previous edition of the development plan; o the stage of implementation of the new obligations regarding network digitization, flexibility services, integration of dispatchable consumption and distributed production from renewable sources; o presentation and argumentation of the way of correlation and compliance of the Plan with the medium and long-term Energy Strategy of Romania and with the National Plan regarding energy and climate Regulation (EU) 2018/1999; - The benefits pursued, in total and by voltage levels, will reduce the approved costs for each year of the regulatory period and for the entire period, according to the Tariff Methodology; - In the situation where the OR does not own or partially owns motor vehicles, the DSO has the right to request from ANRE the agreement for the establishment in the reference year of a regulatory period; - The value of the investment plan from own sources must be equal to the minimum forecasted depreciation for the period, and not annually.
b) Investments Procedure **ANRE Order no. 19/16 March 2021** - in force since **19 March 2021** - the amendment considers the establishment of the DSO obligation to carry out the connection workings to the final customers, **additionally to the annual investment plan.**	**b) N/A**
c) Licenses **ANRE Order no. 115/2021 for amendment and completion The Regulation for granting licenses and authorizations for the electricity sector approved by ANRE Order no. 12/2015 -** in force since 2nd of December 2021: DSOs have the obligation to send to ANRE: a. until 31 December 2021 - information on power lines, power stations and medium and high voltage substations	**c) Licenses** **ANRE order no. 24/2022 regarding the amendment of the Regulation for granting licenses and authorizations in the electricity sector, approved by ANRE Order no. 12/2015** – in force starting from 25 March 2022 - the removal of the legal ban on issuing a single license to the electricity market operator on the electricity market in Romania;

2021	2022
(technical data according to ANRE Order no. 181/2019); b. until 31 December 2022 - information on medium and high voltage power lines, according to ANRE Order no. 115/2021 - including economic attributes; c. until 31 December 2023 - all the information regarding the LV, according to the ANRE Order no. 115/2021 - including the economic attributes. Starting with 01 January 2022, enters into force the new scheme published on the ANRE website regarding the GIS information in the national stereographic coordinate system 1970, which has attached as attributes to the spatial data requested within the GIS application, a set of associated data to presented spatial data, which includes the fixed asset number and value for the electrical transmission/ distribution network components, necessary for ANRE to verify the fixed assets made by the licensees in order to recognize them in RAB.	**ANRE Decision no. 491/30 March 2022** regarding the granting of the License to the market operator of the Romanian Commodity Exchange (BRM) was published. **Draft order regarding the approval of the Regulation for the granting of licenses and authorizations in the electricity sector** - public consultation - phase II o renaming the types of licenses granted by ANRE, in accordance with the provisions of art. 10 para. (2) from the Energy Law; o taking over within the regulation of all exceptional situations provided by law in which it is allowed to provide some services and activities in the field of electricity without the license issued by ANRE, in accordance with the provisions of art. 10 para. (4^2), para. (5), para. (6) and para. (6^2) from the Energy Law; o the explicit specification of the situation regarding modification of the license for the commercial exploitation of the energy capacities by including in its contents some energy capacities over which the applicant can have a provisional exploitation right, until the date when the license holder obtains the definitive exploitation right, in the case of the transfer of the right of ownership/use of the respective energy capacities.
d) Smart metering regulations (SM):	**d) Smart metering regulations (SM):**
ANRE approved Order no. 94 / 18 August 2021 for the amendment and completion of the **Framework Conditions for the realization of the implementation calendar of the intelligent electricity measurement / systems at the national level approved by ANRE Order no. 177/2018 - in force since 1 January 2022** - The value of the indicator „Annual average of the daily success rates of data transmission from meter to HES / MDMS" of at least 80%. The indicator taken into account is calculated annually on each transformation station in the areas where the SMI has been implemented. In case of non-fulfilment of this condition, ANRE proceeds to the non-recognition of the depreciation costs and profitability corresponding to the equipment that ensures the transmission of the data related to the respective transformation stations, for the respective year. - The DOs have the obligation to fulfil the annual targets provided in the implementation schedule of the SMI at the national approved level, in a proportion of at least 90% regarding the total number of users provided for integration, respecting all the areas planned for integration in that period. - The invoicing of the distribution service is to be performed based on the measurement data registered by SMI for the users whose consumption/production and consumption places are integrated with SMI. - The installation of meters that can be integrated with the SMI when connecting new users should be done only for consumption/production and consumption places located in areas where the implementation of the SMI is scheduled in the next 5 years.	**ANRE decision no. 1315/2022 amending the calendar for the implementation of smart electricity metering systems at the national level for the period 2019-2028 approved by ANRE decision no. 778/2019 –** effective from 3 August 2022 - ODCs have the obligation that within a maximum of 18 months from the approval of the decision: - to update the cost-benefit analyzes for the implementation of intelligent electricity metering systems, taking into account the changes from the new European legislative package transposed into national legislation with an impact on the structure and level of costs and benefits involved in the process; - to re-evaluate the degree of implementation of the smart electricity metering systems in the concession areas and to submit to ANRE, if necessary, proposals to modify the implementation calendar of the smart electricity metering systems for the concession area, correlated with the results of cost-benefit analyses
e) Technical regulations	**e) Technical regulations**
Network connection	**Network connection**
ANRE approved the Orders regarding the connection activity: **ANRE Order no. 16/10 March 2021** - the amendment of the Regulation on connecting users to electricity networks of public interest (ANRE Order no. 59/2013) - in force since 16 March 2021:	**ANRE issued orders for connection in order to harmonize with the provisions of GEO no. 143/2021:** **i. domestic connection** - In the case of domestic customers, upon commissioning of the completed connection works, DSO will reimburse the applicant the effective value of

2021	2022

- the introduction of provisions regarding reinforcement works - the introduction of the DSO's obligation to recalculate the value of the connection tariff component;
- elimination of the ANRE endorsement of the procedures regarding the users' connection to the network;
- clarification of the termination circumstances of the effects of the framework convention for the handing over of user-financed connection facilities in their ownership.

ANRE Order no. 17/10 March 2021 - The procedure regarding the connection to the electricity networks of public interest of the consumption places belonging to the non-household final customer type users through connection installations with lengths up to 2,500 meters and household customers - revision of ANRE Order no. 183/2020 - in force since 16 March 2021:

- the possibility for household and non-household customers to agree on the connection installation design and execution directly with a certified economic operator chosen by them;
- the application of the procedure also for the consumption places with storage facilities or consumption and production places, with or without storage facilities, provided with installations for the production of electricity from renewable sources (prosumers);

applies to :

a. household users who have submitted connection requests to the concessionaire distribution operators after 19 December 2020;
b. to non-household final customers type users, who submitted connection requests to the concessionaire distribution operators after 30 July 2020.

ANRE Order no. 45/2021 - the amendment of the Regulation on connecting users to electricity networks of public interest - in force since 23 June 2021:

- Elimination of the user's obligation to send to the network operator (NO), through the documentation attached to the connection request, the approved zonal urban plan („PUZ") or the approved detailed urban plan („PUD"), if it was requested by the urbanism certificate;

ANRE Order no. 53/2021 for the approval of the Methodology for evaluating the financing conditions of the investments for the localities' electrification or the electricity distribution networks' extension approved by ANRE Order no. 36/2019 - in force since 28 June 2021:

- also applicable if an association of public authorities requests the DSO to develop the electricity network of public interest in order to connect based on regional development and urbanism plans;
- the definition of electricity distribution networks' extensions has been modified, by eliminating the phrase "urban" from its content;
- for the situation in which the public authority/user/group of users decides to fully finance the investment, it was explicitly introduced, besides the term for returning the operators' co-financing quota, also the term for taking over by the network operator the elements related to the returned quota. It is mentioned that this completion is an explanation because the restitution of the quota is done simultaneously with the takeover;
- clarifications were made regarding the value of the quota returned to the public authority/user/group of users, in case they decide to fully finance the investment, by establishing the quota based on the minimum between the value of works according to the DSO offer and the value of works specified in the reception documents for the works' commissioning;
- for the situation in which the public authority/user/group of users decides to fully finance the investment, it was specified that the technical project and the request for proposal are carried out by them, with an economic operator certified by ANRE;
- based on the technical project and the specifications, the public authority/user/group of users carries out the works

the design and execution of the connection, up to an average value of a connection, established according to a methodology approved by ANRE. The assets resulting from the connection works become the property of the distribution operator from the moment of commissioning, at the amount reimbursed to the household customer, being recognized by ANRE as part of the regulated assets base.

ii. non-domestic connection - In the case of non-domestic customers, the cost of the connection works, including those for the design of the connection/connection, is fully borne by the customers. The assets resulting from the connection works enter the DSO heritage from the moment of commissioning, without being recognized by ANRE as part of the regulated assets base.

iii. Issued orders:

- **ANRE order no. 17/02 March 2022** - Order for the amendment and completion of the Regulation regarding the connection of users to the public interest electrical networks, approved by ANRE Order no. 59/2013 in force starting from 4 March, 2022
- **ANRE Order no. 18/02 March 2022** - Order approving the Procedure for the connection to low-voltage public interest electricity networks of consumption sites belonging to domestic customers - in force from 7 March 2022 - repeals ANRE Order no. 17/2021 domestic customers - in force from 7 March 2022 - repeals ANRE Order no. 17/2021
- **ANRE Order no. 21/09 March 2022** - Order amending and supplementing the Methodology for establishing the tariffs for the connection of users to the electricity networks of public interest, approved by ANRE Order no. 11/2014 - in force since 11 March 2022
- **ANRE Order no. 22/09 March 2022** - Order amending and supplementing ANRE Order no. 141/2014 approving the specific tariffs and specific indices used to set the tariffs for connecting users to the public interest electricity grids - in force since 11 March 2022
- **ANRE Order no. 23/09 March 2022** - Order on the approval of the average values used by the distribution operator for the reimbursement to household customers of the cost of design and execution works of a connection - in force since 11 March 2022

ANRE Order no. 63/2022 amending ANRE Order no. 95/2018 on the approval of mandatory clauses in contracts for the provision of services in order to carry out connection works to electricity networks of public interest - in force since 31 March 2022

- clarification of the applicability of the Binding Clauses in conjunction with the amendment of Art. 44, para. (4) of the Connection Regulation, introduced by ANRE Order no. 160/2020. It introduces the possibility for the approved economic operator to constitute a guarantee of good performance of the contract in favour of the RO, through a guarantee instrument issued by non-banking financial institutions.
- Contracts for the provision of services for the execution of connection works to the electricity grids of public interest concluded before the date of entry into force of the Order shall be updated by the conclusion by the parties of an additional act within 30 days from the date of entry into force of the Order.

ANRE Order no. 137/2021 Order for the approval of the Procedure for the determination of the available capacity in the electricity networks for the connection of new electricity generation facilities - in force since 1 March 2022:

- rules for determining the available capacity in RET/RED at 110 kV voltage level;
- rules for publication of data on available capacities;
- deadlines and periodicity of publication of data on available capacities by grid operators: monthly from 1 April 2022; bi-monthly from 1 July 2022.

ANRE Order for the purpose of harmonization with the provisions of the ANRE regulatory framework in which the legislative amendments of GEO no. 143/2021 were transposed, namely with the provisions of ANRE Orders

2021	2022

regarding the development of the electricity distribution network for electrifying the localities or for extending the electricity distribution networks with an economic operator certified by ANRE.

ANRE Order no. 85/2021 - Order for the amendment and completion of ANRE Order no. 74/2014 for the approval of the Framework Content of the technical connection approvals (ATR) - in force from 6 July 2021: the elimination of the DSO's obligation to send to ANRE reports regarding the users' appeals regarding the **issuance of ATR**.

ANRE Order no. 137/2021 Order for the approval of the Procedure regarding the determination of the available capacity in the electrical networks for the connection of new installations of electricity production - in force starting with 1st of March 2022:

- rules for determining the capacity available in the electrical transmission network/electrical distribution network at the 110 kV voltage level;
- rules for the data publication regarding available capacities;
- deadlines and frequency of data publication regarding available capacities by network operators: monthly starting with 1st of April 2022; twice a month starting with 1 July 2022.

no. 17/2022, no. 18/2022 and no. 19/2022.

- ANRE Order no. 82/2022 - amending and supplementing ANRE Order no. 74/2014 approving the framework content of the technical connection permits - in force from 20 June 2022;
- ANRE Order no. 83/2022 - modification and completion of ANRE Order no. 5/2014 for the approval of the framework content of the connection certificates - in force from 20 June 2022;
- ANRE Order no. 105/2022 approving the framework contracts for connection to the electricity networks of public interest - will repeal ANRE Order no. 164/2020 - in force from 5 August 2022.

ANRE Order no. 81/2022 - Order amending and supplementing the Regulation on the connection of users to the electricity networks of public interest, approved by ANRE Order no. 59/2013 - in force from 17 June 2022

- requires the OR to complete the value of the costs of carrying out the general reinforcement works and the method of payment to the first user and the other users respectively, in the connection contract it concludes with the new user;
- introduction of the possibility for the OR to conclude a contract for the design and/or execution of reinforcement works for the creation of the technical conditions necessary for the connection of several consumption and/or production sites, with a specific certified designer and/or constructor chosen by the user;
- the responsibility of the RO/economic operator to obtain the agreement/authorisation for the execution of the connection installation, in the case of the direct conclusion between the user and the approved economic operator designated by the user of the contract for the design and/or execution of the connection installation as such:
  - o for the connection installation which will be owned by the user, the document shall be obtained by the user or, where appropriate, by the designated approved economic operator;
  - o for the connection facility which will become the property of the RO, the document shall be obtained by the OR.

ANRE Order no. 103/2022 for the approval of the Procedure for the connection to the electricity grids of public interest of recharging points for electric vehicles - in force from 4 August 2022

- the connection of a new consumption site, consisting of one or more recharging points for electric vehicles;
- connection of a new consumption/consumption and production site with electric vehicle charging points, with/without storage facilities;
- installation of one or more electric vehicle charging points at an existing consumption site/site of consumption and production with/without storage facilities.
- applies in conjunction with the provisions of the Connection Regulation, the Domestic Connection Procedure and the Prosumer Connection Procedure in force.
- establishes, for certain stages or actions in the connection process, shorter deadlines, similar to those provided for the connection of prosumers.
- when installing one or more recharging points for electric vehicles at an existing point of consumption, without exceeding the approved power, the existing ATR/CfR is not updated, and no additional work is carried out in the existing electrical installations upstream of the boundary point.
- the obligation of the DO to draw up its own procedures, within 30 days of publication in the Official Gazette, for the organisation of the connection activity for the categories of users to whom the document is addressed and to make available to interested parties all relevant information on the connection process.

Order no. 133/2022 amending and supplementing some orders of ANRE in the field of connection to the electricity grid of public interest users - in force since 21 October 2022

2021	2022
	- **Connection Regulation:** (i) deletion of the provision that connection facilities financed by non-household final customers become part of the DO's assets at the time of commissioning; (ii) addition of the definition of prosumer - **ATR framework content:** (i) deletion of the provision according to which connection facilities financed by non-household customers enter into the ownership of the DO at the time of commissioning; (ii) addition of the categories of users connected to the LV to whom the TO reimburses the costs of the design and execution of the connection up to an average value - **Domestic connection procedure:** (i) the categories of users connected to the LV to which the procedure applies must be completed and included in the contracting parties provided for in the framework contracts; (ii) the documents required for the conclusion of the connection contract must include the certificate issued to the user by the trade register no later than 30 days before the date of submission of the certificate, in the case of users other than domestic customers; (iii) the connection contract must include the average value of the connection, excluding VAT; (iv) inclusion of the obligation for the user or the approved economic operator designated to design and execute the connection to obtain the consent/authorisation to carry out the connection, if the contract for the design and execution of the connection is concluded directly by the user with the designated approved economic operator; (v) the introduction of a maximum limit of 5 years from the commissioning of the connection for the duration of the connection contract, linked to the legal provision on the reimbursement of the actual value of the connection design and execution works, up to the average value of a connection. - **Connection procedure for prosumers:** (i) inclusion of the possibility of programming the existing meter at the delimitation point of a consumption site for the measurement of electricity in both directions, when installing renewable energy production facilities in the user's facilities; (ii) inclusion of an exemption from the application of the provisions of the procedure, concerning the electricity metering units required in the prosumers' facilities, in the sense of not making the installation of such equipment conditional on the installation of power to the user's facility, given the difficulties for the DOs to purchase such metering units. - **Connection framework contracts** - additions to the RO obligations in order to comply with the derogatory provisions of the Connection Procedure for prosumers. - **BRML Order no. 77/2022 for the approval of the official list of fixed means of measurement subject to legal metrological control - published in Official Gazette no. 332/5 April 2022 -** enters into force within 90 days from the date of publication in MO (4 July 2022) - For active and reactive electricity meters the metrological verification will be done every 15 years. - **ANRE Order no. 124/2022 for the approval of the Rules for congestion management through the market-based use by network operators of the flexibility of resources in the distribution networks and those in the transmission network, of the Rules applicable to the purchase of reactive electricity for voltage regulation in stationary mode by the transmission and system operator and of the Rules applicable to the purchase of reactive electricity for voltage regulation in stationary mode by concessionary distribution operators and for the amendment and completion of ANRE Order no. 127/2021 for the approval of the Regulation on terms and conditions for balancing service providers and frequency stabilisation reserve providers and the Regulation on terms and conditions for balancing parties -** in force from 19 October, and Art. 1, 3 and 4 shall apply from 1 May 2024 Within 12 months the RO shall prepare and submit to ANRE a proposal on: o a technical qualification procedure related to the par-

2021	2022
	ticipation in congestion management in their networks; o specifications of the products introduced in short-term energy tenders for congestion management; o specifications of the products included in long-term capacity tenders for congestion management; o the minimum information to be included in the register for flexibility resources, as well as the optional ones, and the access rules for neighbouring ROs; o a reasoned choice between organising a common platform for all ROs to purchase electricity for congestion management or a separate platform for each RO; o option of whether or not to combine any common platform with the Register for flexibility resources. - Within 12 months the ROs shall jointly develop a methodology to establish how they will operate, collaborate, share information, and establish the rights and responsibilities of each during the period in which the OTS continues to identify and manage grid congestion on the 110 kV grids under the responsibility of the ODs. - Within 16 months from the date of entry into force of this Order, the DSO and the OTS shall develop their own operational procedures for the implementation of the provisions of Annex 1 to the Order. **Draft Order amending and supplementing the Methodology for issuing site permits by network operators, approved by Order of the President of the National Energy Regulatory Authority no. 25/2016** - public consultation - the definition of "risk analysis" has been introduced as technical-economic documentation analysing the impact of non-compliance with regulated coexistence conditions. It is drawn up by a quality and extra-judicial technical expert in the field of technological electrical installations, who holds a credential/certificate issued by ANRE, or by a qualified expert in technological risk prevention-reduction. - clarifications have been made regarding the use of the favourable site opinion conditional to the issue of the building permit. - through the changes made, will allow the use of the coexistence study prepared during the approval phase of the urban planning documentation and in the procedure for issuing the site permit.
<u>Prosumers</u> **ANRE Order no. 15/10 March 2021** - *Procedure regarding the connection to the electricity networks of public interest of the consumption and production places belonging to the prosumers who have installations for electricity production from renewable sources with the installed power of at most 100 kW/consumption place* - in force since 16 March 2021: - considering the legislative amendments brought by Law no. 290/2020, in force since 19 December 2020, it was necessary to revise the previously proposed form regarding the DSO's obligations to finance and realize the design and execution works of the connection installations for non-household final customers, through connection installations with lengths up to 2,500 meters and the design and execution of connection installations for household customers. **ANRE Order no. 50/2021** *for the approval of the trading rules for the electricity produced in power plants from renewable sources with an installed power of up to 100 kW belonging to prosumers* - in force since 1 July 2021: - repeals the ANRE Order no. 226/2018; - revised as a result of the amendments brought by Law nr. 155/2020 and Ministry of the Environment, Waters and Forests Order no. 121/2021 amending the Financing Guide of the Program regarding the installation of photovoltaic panel systems for electricity production, in order to cover the necessary consumption and the surplus delivery in the national network, approved by Ministry of Environment Order no. 1287/2018; - elimination of the reporting models from Appendices 1 and	**Prosumers** **ANRE Order no. 15/23 February 2022 - Methodology for establishing the rules for the trading of electricity produced in power plants from renewable sources with an installed electrical power of no more than 400 kW per place of consumption belonging to prosumers** - in force since 1 May 2022 - The distribution operators ensure the purchase, installation, sealing, verification, reading and, if necessary, replacement of the electricity metering groups located in the users' installations, according to ANRE regulations. - Consumers owning electricity generating units from RES with an installed capacity of 400 kW or less per consumption site may sell the electricity produced and delivered to the electricity grid to electricity suppliers with whom they have concluded electricity supply contracts, according to ANRE regulations. - At the request of prosumers producing electricity in electricity generating units with an installed capacity per place of consumption: o up to 200 kW - electricity suppliers with whom they have electricity supply contracts are obliged to make a quantitative compensation in the bill of prosumers between the electricity produced and delivered to the grid and the electricity consumed and to report in the bills of prosumers the difference between the quantity of electricity delivered and consumed, if the amount of energy produced and delivered to the grid is greater than the amount of electricity consumed, prosumers may use the reported amount of electricity for a maxi-

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2 of the ANRE Order no. 226/2018, with their full takeover in the draft revision order of ANRE Order no. 195/2019.

ANRE Order no. 52/2021 for the approval of the Methodology for monitoring the system for promoting the electricity from renewable energy sources production (RES) - in force since 1 July 2021:

- repeals the ANRE Order no. 195/2019;
- systematization of data collection by integrating the information and data contained in the regulations in the field of electricity promotion in RES;
- completing the data necessary to be collected for the monitoring of the promotion system for the electricity produced in RES power plants with an installed electrical power of at most 100 kW belonging to prosumers, through a dedicated software interface directly on the ANRE website;
- introduces the DSO obligation to publish on their website, every month, information on the prosumers connected to the electricity grid;
- introduces the obligation of the DSO and OTS, as appropriate, to publish on their website, every month, the information on technical connection approvals, connection contract and connection certificates issued in the previous month for power plants belonging to the producers of electricity from renewable energy sources (E-SRE) and prosumers.

mum period of 24 months from the date of the invoice.

- o between 200 kW and 400 kW - electricity suppliers are obliged to purchase the electricity produced and delivered at a price equal to the weighted average price recorded in the PZU in the month in which the energy was produced and to make the financial adjustment between the electricity delivered and the electricity consumed from the grid in the bill of the prosumers.

Quantitative compensation for prosumers with installations up to 200 kW per place of consumption will be granted until 31 December 2030, and after this period these prosumers can sell the electricity produced under the conditions provided for prosumers with installed capacities between 200 kW and 400 kW per place of consumption.

ANRE Order no. 19/02 March 2022 Order approving the Procedure for the connection of consumption and production sites belonging to prosumers to the electricity networks of public interest - in force since 7 March 2022 - repealed ANRE Order no. 15/2021

- harmonisation with the provisions of GEO no. 143/2021

ANRE Order no. 104/2022 amending and supplementing the Procedure for the connection to the public electricity networks of consumption and production sites belonging to prosumers, approved by ANRE Order no. 19/2022 - in force since 4 August 2022

- introduction of the provision according to which, as an exception to the rules laid down in the Procedure that do not provide for the issuance of ATRs or those that do not provide for the issuance of ATRs prior to the construction of the electricity production plant, in the case of prosumers accessing financing programmes for the installation of power plants for the production of electricity from renewable sources, the DSO shall issue ATRs prior to the construction of the electricity production plant, in compliance with the provisions of the regulatory acts specific to the respective financing programmes.

ANRE Order no. 95/2022 - Order amending and supplementing ANRE Order no. 15/2022 approving the Methodology for establishing the rules for the trading of electricity produced in power plants from renewable sources with an installed electrical power of no more than 400 kW per place of consumption belonging to prosumers - in force since 1 July 2022.

- clarifies the application of the quantitative compensation between the electricity consumed and the electricity produced and delivered to the electricity grid by prosumers owning electricity production units from renewable energy sources with an installed electrical power of 200 kW or less per consumption site, given that, after the approval of ANRE Order no. 15/2022, GEO no. 27/2022 came into force, which establishes the billing of electricity consumed by prosumers in the period 1 April 2022 - 31 March 2023.

Draft Order approving the Methodology for establishing the rules for quantitative compensation between electricity produced from renewable sources in mobile units equipped with electricity generation systems during regenerative braking and delivered to the national electricity system and electricity consumed from the national electricity system by prosumers - public consultation

- OD to whose grids mobile units generating electricity during regenerative braking are connected certifies the quality of prosumer, in order to apply the mechanism of quantitative compensation according to legal provisions;
- In addition, in order to certify the status of prosumer, the DSO also verifies compliance with the following requirements: (i) the main activity of the prosumer - legal entity is not the production of electricity; (ii) the electricity produced during the recovery break must come from renewable energy sources and be delivered to the NES; (iii) the electricity metering system at the interface with the NES is realized either with smart meters or with meters that allow at least remote reading, integrable in smart electricity metering systems, having communication systems compatible with those of the concessionaire

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Distribution service performance standard

ANRE Order no. 46/15 June 2021 for the approval of the Distribution Service Performance Standard - in force since 1 July 2021:
- the standard imposes additional obligations for the DSOs, and in order to fulfill them, additional investments and the increase of operating expenses will be necessary;
- the obligation of the DSO to monitor the short interruptions, and to grant compensations for non-compliance with the imposed thresholds: HV=300 RON (>10 interruption/year), MV =10 RON (>10 interruption/week), LV=5 RON (>10 interruption/week);
- the obligation to comply with the 90-day deadline for commissioning a connection, including the reception and commissioning of the connection installation, the compensation for non-compliance being 100 RON;
- the obligation of the DSO to ensure, starting with 1 January 2022, reduced voltage deviations for LV level (from +10% to +5% of the nominal voltage value, monitored weekly), the compensations being for legal entities: HV - 270 RON, MV and LV - 130 RON (for each monitoring period), and for individuals: HV - 270 RON, MV and LV - 70 RON (for each monitoring period);
- setting an implementation calendar for the quality analyzers, so that 100% of the power stations will be monitored with the help of this equipment until the end of 2026, respectively 100% of the transformation stations until 1st January 2028. This implementation program is correlated with the provisions of the SM implementation schedule;
- setting intervals for the reception of telephone calls made by network users through the call centers managed by distribution operators, namely:
    a) maximum 30 seconds from the call initiation by the user until it is taken over, without the intervention of the human operator;
    b) maximum 180 seconds from receiving the call for the user to be able to select the option to transfer the call to a human operator;
    c) maximum 20 minutes from taking over the call to start the user's conversation with a human operator

Commercial (Trading) Regulations

ANRE Order no. 25/2021 regarding the amendment of the Framework Contract for the distribution service - in force since 1st July 2021:
- in the process of changing the supplier, for the small household and non-household customers, the measurement group index reading for settlement related to a consumption place is performed by the DSO, if the final customer does not send the self-read index;
- the DSO has the obligation to inform the supplier about the change of the measuring group reading period at least 60 days before the change date;

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distribution operator to whose networks the electricity installations are connected.
- The concessionaire DSO shall carry out monthly meter reading of electricity from renewable sources produced and delivered to the SEN/consumed from the SEN, in case the remote reading of electricity meters is not possible for technical reasons, it shall be determined on the basis of historical measured data,
- The concessionaire DSO is obliged to store the collected measured/determined data, as appropriate, for a period of at least 36 calendar months.

Distribution service performance standard

ANRE Order no. 64/2022 amending and supplementing the Performance Standard for the electricity distribution service, approved by ANRE Order no. 46/2021 - in force from 31 March 2022:
- **domestic customers**, the index reading period can be longer than one month, but must not exceed 3 months, for non-compliance compensation is granted 10 lei
- **non-household customers**, the index reading period can be longer than one month, but must not exceed 6 months, for non-compliance is granted compensation 10 lei
- **prosumers**, the periodicity of reading the index of the measurement group is a **calendar month** - compensation 10 lei regardless of voltage level
- OD does not compensate users whose metering units are located on their property and who have not allowed DSO access to read the metering unit index within the interval specified in the bills issued by the electricity suppliers, with prior notification/approval no more than three times to the users.
- The DSO is obliged to provide access to historical consumption data of users benefiting from smart metering systems, in accordance with the provisions of the framework conditions for the implementation schedule of smart metering systems at national level - if the DO does not meet the deadlines for a period of one month, it is obliged to pay the user compensation in the amount of 30 lei to JT.
- change DSO timetable for installation of quality analysers
    - o *Transformer substations monitored according to each stage include also transformer substations that fully supply users integrated in smart metering systems.*
    - o *by 31 December 2023 will monitor at least 50% of the number of substations and at least 20% of the number of transformer substations,*
    - o *until 31 December 2025 will monitor at least 75% of the number of substations and at least 60% of the number of transformer substations,*
    - o *by 31 December 2026 will fully (100%) monitor the number of substations and at least 80% of the number of transformer substations,*
    - o *from 01 January 2028 will fully (100%) monitor transformer substations.*

OD have the obligation to submit to ANRE, by 30 June 2022, the implementation programme for monitoring the continuity and quality of electricity with analysers installed in electricity stations and transformer substations.

Commercial (Trading) Regulations

ANRE Order no. 82/2021 amending and supplementing the Regulation on the supply of electricity to end customers, approved by ANRE Order no. 235/2019 and repealing ANRE Order no. 130/2015 approving the Procedure for the supply of electricity to own consumption sites DSO - in force from 1 July 2021 (except for the provisions of art. I points 25-27, 33 and 34 which enter into force on 1 July 2022):
- in case of change of electricity supplier, customers can communicate to the new supplier the self-quoted index at the date of transmission of the notification of change of supplier; the supplier has the obligation to retrieve and

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- within a maximum of two months from the entry into force of this order, the DSO and the electricity suppliers update the electricity distribution service contracts according to the provisions of the framework contract from the Appendix no. 1 to the ANRE Order no. 90/2015, with subsequent amendments and completions;

ANRE Order no. 82/2021 for the amendment and completion of the Regulation for the supply of electricity to final customers, approved by ANRE Order no. 235/2019 and the repeal of ANRE Order no. 130/2015 regarding the approval of the Procedure regarding the electricity supply of the DSO own consumption places - in force from 1st July 2021 (except for the provisions of art. I points 25-27, 33 and 34 which enter into force on 1st January 2022):

- in case of the electricity supplier change, the customers can communicate to the new supplier the self-read index at the date of sending the change of supplier notification; the supplier has the obligation to take over and send to the DSO the index self-read by the final customer; the self-read index is taken into account by the DSO when setting the electricity consumption in the process of changing the supplier;
- if the final customer does not send the self-read index, the DSO has the obligation to read the index of the measuring equipment in the period between the date of sending the supplier change notification and the date of the actual change of the supplier;
- the DSO has the obligation to create and maintain in the database, for each consumption place, for each month from the period January - December, information on the estimated active electricity consumption, established as appropriate, based on: (i) consumption of electricity recorded at the consumption place in the similar period of the previous year or of the determined electricity consumption taking into account the most recent readings made by the DSO; (ii) the specific consumption profile, determined by the DSO for the respective category of the final customer if there is no consumption history for the place of consumption.
- the DSO has the obligation to allow free access to all electricity suppliers to the data in the database and to inform them on how to access the data;
- **until 1st November 2021**, the DSOs have the obligation to make available to the electricity suppliers the consumption data provided in the order and to publish on its web pages information regarding the way of accessing these data;
- **starting with 1st January 2022**, in the case of consumption places for which consumer agreements are concluded, the distribution service invoicing will be performed by the DSO, based on these agreements, if there is no index for these consumption places read by the DSO or by the end customer.

<u>Compliance Regulation</u>

ANRE approved Order no. 97/08 September 2021 approving the Regulation on establishing the compliance program and designating the compliance agent by the electricity/natural gas distribution operators and by the natural gas storage

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transmit to the DSO the index self-quoted by the final customer; the self-quoted index is taken into account by the DSO when determining the electricity consumption in the process of change of supplier;

- if the end-customer does not transmit the self-read index, the DSO is obliged to read the metering equipment index in the period between the date of transmission of the supplier change notification and the date of the actual supplier change;
- The DSO is obliged to create and maintain in the database, for each place of consumption, for each of the months of January to December, information on the estimated active electricity consumption, determined as appropriate, based on: (i) the electricity consumption recorded at the place of consumption during the same period of the previous year or the electricity consumption determined taking into account the most recent readings made by the OD; (ii) the specific consumption profile, determined by the DSO for the respective category of final customer if for the place of consumption there is no consumption history.
- OD has the obligation to allow free access to the data in the database to all electricity suppliers and to inform them on how to access the data;
- **until 1 November 2021**, the ODs are obliged to make available to electricity suppliers the consumption data provided for in the order and to publish on their websites information on how to access this data;
- **from 1 January 2022**, in the case of consumption places for which consumption agreements are concluded, the billing of the distribution service will be carried out by the DO, on the basis of these agreements, if for these consumption places there is no index read by the DO or by the final customer.

ANRE Order no. 90/2022 - Order amending and supplementing ANRE Order no. 52/2021 approving the Methodology for monitoring the system for the promotion of electricity production from renewable energy sources - in force since 27 June 2022

- regulating the legal aspects related to data reporting by electricity suppliers who have concluded/purchase contracts for electricity produced by prosumers, with whom they have concluded contracts for the supply of electricity as final consumers, on the manner and format of reporting, respectively frequency of data reporting.

ANRE Order no. 91/2022 - Order approving the Regulation on the last instance supply of electricity - in force from 24 June 2022

- Consumption sites that are not disconnected for non-payment of electricity consumption/withdrawal and do not have a supply contract in force/are not in the portfolio of an FUI, are taken over by the LR (the supplier with the highest market share in the grid area where the consumption sites are located);
- within a maximum of 3 working days from the date of entry into force of the order, each concessionaire DSO shall communicate to the LR the list of consumption sites in its network area that are in the situations described above;
- the market shares shall be established and published by ANRE on the basis of the quantities of electricity delivered, in the period from 1 September 2021 to 28 February 2022, to customers in each network area, by each of the suppliers who are also suppliers of last resort;
- within a maximum of 5 working days from the date of communication of the designation decision, LR and DSO concessionaires with whom the supplier does not have electricity distribution contracts, shall conclude such contracts.

<u>Annual Report and sanctions</u>

ANRE Order no. 1/19 January 2022 - Order for the repeal of ANRE Order no. 32/2016 on the approval of the Methodology for the preparation of the Annual Report by licensees in the electricity and thermal energy sector and

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operators that are part of a vertically integrated economic operator effective **1 January 2022**: - designating the approval and activity of the compliance agents - DO will send to ANRE the nominations of the compliance agent until 1st of November 2021, conditions: (i) at least 3 years before the date of designation as compliance agent and for the entire period in which a compliance agent is appointed, not to have held/not to hold any professional position or responsibility, interest or business relationship, of direct or indirect order, with the vertically integrated economic operator or with any part thereof; (ii) have at least 5 years of experience in the field of electricity/natural gas; - the manner of elaboration and the content of the compliance programs drawn up by the DO for electricity/natural gas, respectively for the storage of natural gas; - implementation of the measures provided in the compliance program and monitoring the application of the compliance programs, respectively of the measures therein;	**on the amendment of some ANRE orders** - in force since 21 January 2022 - eliminates the obligation for licensees to draw up the Annual Activity Report. - ANRE Order no. 32/2016 is repealed - the information in the annexes of the Annual Report Methodology shall be submitted to ANRE in accordance with the provisions of other orders. **ANRE Order no. 12/23 February 2022 - Order approving the Procedure for the establishment and individualization of fines related to the turnover resulting from the control activity** - in force from 1 March 2022 - It aims to establish the rules necessary for establishing and individualizing the contravention penalties related to turnover provided for in the Law on Electricity and Natural Gas no. 123/2012, art. 95 para. (2) and (3). **ANRE Order no. 13/23 February 2022 - Order approving the Procedure for the establishment and individualization of contraventional sanctions related to turnover, by ANRE's Regulatory Committee, following investigation actions** - in force since 28 February 2022. - Its purpose is to establish and individualize sanctions in case of committing the offences provided for in art. 93 para. (1) and art. 194 of the Law on Electricity and Natural Gas no. 123/2012, with subsequent amendments and additions, hereinafter referred to as the Law, for which sanctions are provided from the turnover of the year preceding the application of the sanction. **ANRE Order no. 100/2022 amending and supplementing the Regulation on the organisation and conduct of energy investigation activities regarding the functioning of the wholesale energy market, approved by ANRE Order no. 25/2017** - in force from 4 August 2022 - application of some of the legal provisions in force and by the members of the Regulatory Committee of ANRE; - extending the scope of investigations into breaches of the transparency requirements laid down in the ANRE regulations as well as in European regulations; - introduction of amendments, clarifications and additions concerning the competence to establish and individualize sanctions, depending on the nature and timing of their occurrence; the draft order also includes provisions for the situation where, during the investigation action, no contraventions are found. **ANRE Order no. 101/2022 amending and supplementing the Procedure for the establishment and individualization of fines based on turnover, by ANRE's Regulatory Committee, following investigative actions, approved by ANRE Order no. 13/2022 -** in force from 4 August 2022 - to complete the Procedure with the situations in which the Regulatory Committee establishes and individualizes the sanctions by reference to the turnover of the investigated legal entity, and for the contraventions for which the investigation team, as investigating agents, applies the provisions of art. 12 para. (2) of the OG no. 2/12 July 2001 on the legal regime of contraventions, approved with amendments and additions by Law no. 180/2002, with subsequent amendments and additions, proposing to sanction the investigated market participant with a fine in relation to its turnover; - correlation with the provisions of ANRE Order no. 25/2017, as amended and supplemented. **ANRE Order no. 120/2022 on the amendment and completion of the Regulation on the detection, notification and sanctioning of violations of regulations issued in the field of energy applicable to the investigation activities carried out by ANRE, approved by ANRE Order no. 62/2013** - in force from 5 October 2022 - Completion and amendment of the Regulation, in accordance with the legal provisions in force, as a result of the amendments made to the Law, i.e. by Order 25/2017 and Order 13/2022. **ANRE Order no. 143/2022 amending and supplementing the Regulation on the detection, notification and sanctioning**

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	of violations of regulations issued in the field of energy applicable to the control activities carried out by ANRE, approved by ANRE Order no. 62/2013, with subsequent amendments and additions - in force from 28 December 2022 - amendment and completion of the Regulation provides that the documents preceding the control action, during the control action or resulting from the completion of the control action, such as, but not limited to: the control warrant, the control notice, the control report, the referral note, the sanction warrant, the sanction invitation, etc. can be drawn up and communicated both in written and electronic format.
f) Primary legislation:	**f) Primary legislation:**
- On 24 July 2020, Law no. 155/24 July 2020 amending and supplementing Law 123/10 July 2012 was approved: - OD have the obligation to ensure the financing and the realization within 90 days of the connections of non-household customers with length under 2,500 m; - On 19 December 2020, **Law no. 290/15 December 2020** amending and supplementing Law 123/10 July 2012 entered into force: o the obligation for the DSO to finance the connection works for domestic customers and to recover the connection costs through the distribution tariffs, with a 5-year amortization period, in accordance with ANRE regulations. **Energy Law no. 123/2012 - amended by GEO no. 143/2021 - in force since 31 December 2021** - **new ME tasks:** approve the development plans of the OTS and the DSO in terms of ensuring consistency with the provisions of the energy strategy and NESCAP 2021-2030; approve the reliability standard; - On the wholesale market, directly negotiated bilateral transactions can be concluded at any time; - In the case of the final domestic customer, in order to issue the regularisation invoice, the DSO is obliged to ensure the reading of the metering group index at a time interval of maximum 3 months. - **Each DSO** acts as a neutral market facilitator in the procurement of electricity for the coverage of NL, according to transparent, non-discriminatory and market-based procedures, in compliance with ANRE regulations. - **domestic connection** - In the case of domestic customers, upon commissioning of the connection works carried out, the DSO will reimburse the applicant for the actual value of the connection design and execution works, up to an average value of a connection, established according to a methodology approved by ANRE. The assets resulting from the connection works become the property of the distribution operator from the moment of commissioning, through the effect of this law, at the value reimbursed to the household customer, being recognised by ANRE as part of the regulated asset base. - **non-household connection** - In the case of non-household customers, the cost of the connection work, including the design of the connection/connection, is borne entirely by them. The assets resulting from the connection works become part of the assets of the distribution operator from the moment of commissioning, by the effect of this law, without being recognized by ANRE as part of the regulated asset base - if the final customers do not have SMI, the DSO provides them with individual conventional meters that accurately measure their actual consumption. DSO ensures that end customers have the possibility to easily read their conventional meters, either directly or indirectly, through an online interface or through another suitable interface that does not require a physical connection to the meter. **GEO no. 84/2021** - in force from 6 August 2021 - Repeals the provision of Article 72, paragraph (1) of GEO	**Energy Law no. 123/2012 - amended by GEO no. 143/2021** - in force since 31 December 2021, approved and amended by Law no. 248/2022, in force starting with 25 July 2022, providing among others: - the possibility of concluding directly negotiated bilateral transactions; - obligation for the DSO to ensure the reading of the metering group index for domestic end customers at a maximum interval of 3 months; - the role of the DSO as a neutral market facilitator in the purchase of electricity to cover NL, according to transparent, non-discriminatory and market-based procedures, in compliance with ANRE regulations; - **domestic connection** - In the case of domestic customers, upon commissioning of the connection works carried out, the DSO will reimburse the applicant the actual value of the design and execution works of the connection, up to an average value of a connection, established according to a methodology approved by ANRE. The assets resulting from the connection works become the property of the distribution operator from the moment of commissioning, through the effect of this law, at the value reimbursed to the household customer, being recognised by ANRE as part of the regulated asset base. - **non-household connection** - In the case of non-household customers, the cost of the connection work, including the design of the connection/connection, is borne entirely by the customer. The assets resulting from the connection works: o between 1 January and 24 July 2022, it enters the distribution operator's patrimony from the moment of commissioning, based on GEO no. 143/2021, without being recognized by ANRE as part of the regulated asset base; o starting with 25 July 2022, it does not enter the patrimony of the distribution operator, based on Law no. 248/2022 and ANRE Order no. 133/2022, they are transferred only for exploitation to the distribution operator; - in case the final customers do not have SM, DSO provides them with individual conventional meters that accurately measure their real consumption. DSO ensures that end customers can easily read their conventional meters, either directly or indirectly, through an online interface or other appropriate interface that does not involve physical connection to the meter. - ANRE has the obligation to issue the regulations provided in the Law within the terms expressly provided from the date of entry into force of the Law (60 days or 6 months). **Law no. 259/29 October 2021 for the approval of GEO no. 118/2021 on the establishment of a compensation scheme for the consumption of electricity and natural gas for the cold season 2021-2022, as well as for the completion of Government Ordinance no. 27/1996 on the granting of facilities to people living or working in some localities in the Apuseni Mountains and in the „Danube Delta" Biosphere Reserve** - For the period 1 November 2021 - 31 March 2022, a support

2021	2022
no. 70/2020, according to which the DO and the OTS ensure the continuity of electricity supply in the alert state. - The suspension of the provision of services corresponding to the non-payment of outstanding debts may not take place earlier than 90 days after the entry into force of GEO No 84/2021. **Law no. 259/29 October 2021 for the approval of GEO no. 118/2021 on the establishment of a compensation scheme for the consumption of electricity and natural gas for the cold season 2021-2022, as well as for the completion of Government Ordinance no. 27/1996 on the granting of facilities to people living or working in some localities in the Apuseni Mountains and in the „Danube Delta" Biosphere *Reserve*** - For the period 1 November 2021 - 31 March 2022 a support scheme has been established for the payment of bills related to the consumption of ee and gn for several categories of final customers. - In order to regularize the amounts related to the support scheme**, the electricity/natural gas distribution operators have the obligation, in the period April-June 2022, in addition to the readings established according to the regulations in force, to carry out the meter index reading of the final customers** who benefited from the support scheme and to communicate to the electricity/natural gas suppliers their measurement data. - Exempting certain categories of small consumers (SMEs, small and medium-sized enterprises) from the payment of distribution tariffs, transmission tariffs, green certificates, contribution for high efficiency cogeneration and excise duty.	scheme for the payment of electricity and gas bills has been established for several categories of final customers. - In order to regularize the amounts related to the support scheme, **the electricity/natural gas distribution operators have the obligation, in the period April-June 2022, in addition to the readings established according to the regulations in force, to carry out the meter index reading of the final customers** who benefited from the support scheme and to communicate to the electricity/natural gas suppliers their measurement data. - Exempting certain categories of small consumers (SMEs, PFAs) from the payment of distribution tariffs, transmission tariffs, green certificates, contribution for high-efficiency cogeneration and excise duties. **Emergency Ordinance no. 3/2022 amending and supplementing Government Emergency Ordinance no. 118/2021 for domestic customers increases the maximum consumption limit from 1500 kWh to 1900 kWh (380kWh/ month)** - in force from 26 January 2022 - **for household customers** in the period 1 February 2022 - 31 March 2022 the final invoiced price of electricity is capped at 0.8 RON/kWh, VAT included, (compared to 1 RON/kWh), of which the energy price component is a maximum of 0.336 RON/kWh (compared to 0.525 RON/ kWh); - **for non-household customers** in the period 1 February 2022 - 31 March 2022 the final invoiced price of electricity is capped at a maximum of 1 RON/kWh, VAT included, of which the energy price component is a maximum of 0.525 RON/kWh - OD have the obligation, during the period April-June 2022, in addition to the readings established according to the regulations in force, to carry out meter index readings on domestic customers and to transmit their measurement data to the electricity/natural gas suppliers. **Emergency Ordinance no. 27/2022 on measures applicable to final customers in the electricity and natural gas market in the period 1 April 2022 - 31 March 2023 -** in force since 22 March 2022**, approved by Law no. 206/11 July 2022, amended by GEO no. 192/2022** - to cover the additional costs related to NL 2021, ANRE modifies the regulated tariffs, applicable from 1 April 2022. - The resulting tariffs will not change between 1 April 2022 and 31 March 2023. - additional costs financed from bank loans made during the period of the GEO to cover the NL are capitalized, with a duration of 5 years and RRR = 50% x RRR PR4. - electricity costs purchased for NL after the date of entry into force of the GEO will be recognized in the regulated tariffs, according to ANRE methodologies. - transmission and distribution tariffs will be adjusted to reflect costs incurred up to 31 March 2023 for a period of up to 5 years after 31 March 2023. - the producers in the Romanian state portfolio are obliged to respond within 5 working days with partial or total sales offers to the requests for energy purchase addressed by the OTSs and ODs, individually or in aggregate, directly or through the dedicated platforms of the organized market. Failure to comply with the provision shall be sanctioned with a fine of RON 100.000 ÷ 400.000. - The provisions of the GEO apply until 31 March 2025. **Emergency Ordinance no. 119/2022 amending and supplementing GEO no. 27/2022 on the measures applicable to end customers in the electricity and natural gas market during the period 1 April 2022-31 March 2023, as well as amending and supplementing certain regulatory acts in the field of energy -** in force since 1 September 2022**. approved and amended by Law no. 357/16 December 2022** - additional costs for the purchase of electricity, made between 1 January 2022 and 31 August 2023, to cover the NL, compared to the costs included in the regulated tariffs (and not only the loans), are capitalised quarterly, RRR = 50% of the RRR applicable to each period; - electricity generators are obliged to sell available

2021	2022
	electricity with delivery until 31 December 2022, through direct negotiated contracts starting from 1 September 2022, only to electricity suppliers with end customers in their portfolio, intended exclusively for their consumption, OD, OTS and consumers who have benefited from the provisions of GEO 81/2019. **Emergency Ordinance no. 153/2022** amending and supplementing **Government Emergency Ordinance no. 27/2022** on the measures applicable to end customers in the electricity and natural gas market during the period 1 April 2022-31 March 2023, as well as amending and supplementing certain regulatory acts in the field of energy and amending **Government Emergency Ordinance no. 119/2022** amending and supplementing **Government Emergency Ordinance no. 27/2022** on the measures applicable to end customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as amending and supplementing certain regulatory acts in the field of energy - in force since 11 November 2022 - for the period from 1 January 2023 to 31 March 2025, the centralised electricity purchase mechanism is established - OPCOM is designated as the single buyer, it buys electricity from the designated producers and sells the purchased electricity to electricity suppliers who have contracts with end customers, electricity transmission system operators and electricity distribution operators, to cover their own technological consumption of the networks operated by them. - OD can buy from OPCOM by annual/monthly mechanism 75% of the quantity of NL forecast and validated by ANRE at the price of 450 lei/MWh, and producers can sell to OPCOM annual/monthly mechanism 80% of the quantity produced forecast and validated by ANRE and Transelectrica at the price of 450 lei/MWh.
g) Alignment with the European legislation - EU Regulation no. 943/2019:	**g) Alignment with the European legislation - EU Regulation no. 943/2019:**
<u>**15 minutes settlement**</u> **ANRE Order no. 27/31 March 2021** - ANRE orders amendment - settlement interval (SI) to 15 minutes - in force since 1st April 2021: - the amendment of ANRE orders containing references to trading/delivery/settlement intervals lasting one hour, with the intent to modify by using the phrase “settlement interval” and setting the duration of this interval to 15 minutes. The settlement interval is one hour until 1 July 2021, respectively 15 minutes, starting with 1 July 2021.	**N/A**
<u>**Electricity market functioning**</u> **ANRE Order no. 26/31 March 2021** for the amendment of art. VII of the ANRE Order no. 65/2020 - in force since 1st April 2021 - long-term supply contract means any contract with a delivery duration equal to or higher than one month; **Draft order approving the balancing clauses and conditions** - public debate - phase III: - the purchase by the OTS, on the European trading platforms for balancing energy, of energy from the balancing service providers from EU member countries; - separate activation by direction of the balancing energy from the frequency restoration reserve with automatic activation (RRFa = the new term used to define the secondary setting); - the use of standard balancing energy products within each European balancing energy platform, which have the same static characteristics for all balancing service providers from each EU member state; - considering, in the internal balancing market settlement, the unintentional electricity trade between state members; - the emergence of the capacity market for frequency	<u>**Electricity market functioning**</u> **ANRE Order no. 128/2021 - Order approving the Rules for the suspension and restoration of market activities and the applicable Settlement Rules** - in force from 1 October 2022: - to determine the situations and conditions under which the OTS can suspend market activities with mitigating impact on PZU and PI energy market coupling; - identification of the market activities that can be suspended and the procedure for their suspension and reinstatement: steps, role and responsibilities of the OTS/designated electricity market operator/factors involved; - communication procedure detailing the tasks and actions to be carried out by each party - suspension during the period of collapse and restoration from collapse of the SEN of all wholesale market contracts (including transactions concluded on the DAM and IM), and the sale/purchase to be carried out at a single restoration price, i.e. the settlement procedure applicable in these situations and the procedure for making payments and contesting the settlement. - the order will apply from 1 October 2022, the date from which ANRE Order no. 23/2016 is repealed.

2021	2022
recovery reserves (RSF = the new term used to define the setting); - enters into force starting with 1st October 2022; - the ODs collaborates and elaborates, following a public consultation process, a unique procedure regarding the way of establishing, verifying, confirming by the involved parties, and implementing the way of aggregating the measured values related to a BM, which each DSO then publishes on its own website within three months from the publication of the order. **ANRE Order no. 128/2021 - Order for the approval of suspension and re-establishment Rules of market activities and for the applicable settlement Rules - in force since 1 October 2022*:*** - determining the situations and conditions in which TSO can suspend market activities with diminishing the impact on the coupling of DAM (PZU) and IM (PI) energy markets; - identification of the market activities that can be suspended and of the procedure of their suspension and restoration: stages, role, and responsibilities TSO / designated electricity market operator/factors involved; - the communication procedure detailing the tasks and actions that each party must perform; - the suspension during the collapse period and the restoration from the collapse of SEN of all contracts on the wholesale market (including transactions concluded on DAM(PZU) and IM(PI)), and its sale/acquisition will be made at a single restoration price, respectively the settlement method applicable in these situations and the way of making payments and contesting the settlement. - the order will be applied to start with the 1 October 2022, the date from which the ANRE Order no. 23/2016 repeals. **ANRE Order 3/2021 approving the Regulation on the organization and operation of the online supplier change platform (POSF) and for contracting the supply of electricity and natural gas - in force since 28 August 2022** - The online platform (POSF) is unique at the national level, end customers and economic operators involved in changing the supplier and contracting the supply have the obligation to use exclusively this platform. - Implementation of the platform starting on 28 August 2022. - Duration of the supplier change process 24 hours - The client is obliged to register the self-read index in POSF - The client uploads the self-read index at the beginning of the supplier change process and a second self-read index at the date of the actual change of the supplier. If the end customer does not upload the index on the date of the actual change of the supplier, DSO has the obligation to register in POSF, within 5 days from the date of the actual change of the supplier by the end customer, the index read by DSO or provided by the system. intelligent measurement. - The regulation details: how the POSF is organized and operated, the content of the POSF database, the data needed to create the POSF access account, the rights and obligations of POSF users, the rules for concluding the supply contract, the actual supplier change procedure. - ANRE is the administrator and operator of the Online Platform intended for the change by the final customer of the electricity and/or natural gas (POSF) supplier - In the period between the date of entry into force of the Order and August 28, 2022, all economic operators are obliged to comply with any ANRE requests for the realization and implementation of POSF.	**ANRE Order no. 65/2022 approving the Regulation on the organised framework for electricity contracting by large end customers** - in force since 1 April 2022 - expanding market participation by accepting OTS and ODs, their participation in the market is exclusively for the purchase of NL; - application of the regulation inclusive of producers to whom the measures of GEO No 27/2022 apply; - use of standard or EFET-type contracts; - reduction of the average power per settlement interval from 10 MW to 5 MW, for a better profiling of the final customers' offers; - the possibility for the initiator to choose to vary the contracted power per settlement interval by a maximum of 0.5 MW per settlement interval; - minimum delivery duration of one month; - the option of full/partial trading of the initiator offer. **ANRE Order no. 73/2022 - amending ANRE Order no. 65/2022 approving the Regulation on the organised framework for the contracting of electricity by large end customers** - in force since 12 May 2022 - the possibility of introducing initiating offers also by producers participating in the market; - deletion of the specification that large end-use electricity customer includes transmission system operator and distribution system operators that purchase, individually or in aggregation, electricity to cover their own technological consumption in the networks they operate, in order to avoid resale by operators of electricity purchased on this market, based on the license they hold. They can participate in the market from the position of final customer, which, according to the definition in the Energy Law, is any natural or legal person who buys electricity for their own consumption. **ANRE Order no. 3/2022 approving the Regulation on the organization and operation of the online platform for changing supplier (POSF) and for contracting the supply of electricity and natural gas** - in force since 28 August 2022 - The online platform (POSF) is unique at national level, end customers and economic operators involved in changing supplier and contracting supply are obliged to use this platform exclusively. - Implementation of the platform starts on 28 August 2022. - Duration of the switching process 24 hours - The customer is obliged to register the self-quoted index in POSF - The customer uploads the self-read index at the initiation of the supplier change process and a second self-read index at the date of the actual supplier change. If the end customer does not upload the index at the effective supplier changeover date, the DSO is obliged to register in the POSF, within 5 days from the effective supplier changeover date by the end customer, the index read by the DSO or provided by the smart metering system. **- The regulation details:** the organization and operation of the POSF, the content of the POSF database, the data required to create an access account in the POSF, the rights and obligations of POSF users, the rules on the conclusion of the supply contract, the actual procedure for changing supplier. - ANRE is the administrator and operator of the online platform for end-customers to change their electricity and/or gas supplier (POSF). - During the period between the date of entry into force of the Order and 28 August 2022, all economic operators are obliged to comply with any ANRE requests for the realization and implementation of the POSF. **ANRE Order no. 109/2022 amending and supplementing ANRE Order no. 3/2022 approving the Regulation on the organisation and operation of the online platform for changing the electricity and natural gas supplier and for contracting the supply of electricity and natural gas** - in force since 24 August 2022

2021	2022
	- to change the date of application of the Regulation from 28 August 2022 to 10 October 2022; by way of derogation, the provisions relating to the registration in the POSF of the information that ORs and suppliers are obliged to register in accordance with the Regulation shall apply from 28 August 2022; **ANRE Order no. 79/2022 - approving the Regulation on the organization and functioning of the electricity futures market organized by Bursa Romana de Marfuri S.A.** - in force since 10 June 2022 - This draft order aims to establish an organized framework for electricity trading on the Electricity Futures Market, through electronic trading platforms managed by Bursa Romana de Marfuri S.A (BRM). **ANRE Order 117/2022 for the approval of the Regulation for the organization and functioning of the forward electricity contracts market organized by Bursa Romana de Marfuri S.A.** - in force since 1 October 2022, exception art. 2 - repeals Order No. 79/2022, introducing new products for trading: (i) multiple of a day, i.e. the entire period of at least 2 consecutive delivery days starting at the earliest on the second calendar day following the day a transaction is closed; the product is tradable only with delivery in the band; (ii) 1 week; the product is tradable only with delivery in the band; (iii) balance of the month, i.e. the period made up of the remaining delivery days of a current calendar month, starting on the second calendar day following the day a transaction is closed; the product is tradable only with delivery in the band. - art. 2 - The BRM shall update, by 1 October 2022, the operational procedures necessary to implement the Regulation **ANRE Order no. 92/2022 - order amending and supplementing the Regulation on the calculation and settlement of imbalances of the parties responsible for balancing - single imbalance price, approved by ANRE Order no. 213/2020 and amending some ANRE orders -** in force since 1 July 2022**.** - new articles on how to allocate additional costs/revenues from balancing the system; - it is proposed to reduce from 6 months to 2 months the period in which the participant can request a reasoned correction of the settlement from the posting of the information note for settlement on the dedicated IT platform; - implementation of the 400 kW installed capacity limit for prosumers, from which the supplier no longer assumes responsibility for balancing; - the order applies from 1 July 2022 in which the calculations for the settlement of imbalances of the PRE for the delivery month June 2022 are made. **ANRE Order no. 121/2022 amending some ANRE orders on the electricity market** - in force since 1 October 2022 - ANRE Order no. 127/2021 shall enter into force on the date of publication and shall apply from 1 October 2023, with the exception of: (i) for the period 1 May 2023-1 September 2023, the balancing party imbalance settlement operator shall, starting from May 2023, perform monthly simulations for the calculation of the balancing party imbalance settlement resulting from the application of the provisions of the Regulation on terms and conditions for balancing parties (ii) technical amendments to the Technical Qualification Procedure for the provision of system services, approved by ANRE Order no. 89/2021, which apply from the date of entry into force - ANRE Order no. 128/2021 applies from 1 October 2023, to align with the provisions of ANRE Order no. 127/2021. **Order no. 134/2022 approving the General General Rules on Organised Electricity Futures Markets** - in force from 3 November 2022 - to simplify the organised framework for electricity contracting, by drawing up a framework regulation with general provisions, on the basis of which each electricity market operator will draw up specific rules for the

2021	2022
	organisation and management of its own markets; - ensure the creation of a general framework with requirements applicable to all electricity market operators to ensure transparency and non-discrimination. On the basis of these general rules, operators shall draw up their specific conditions of participation. **Regulation (EU) 2022/1854 of 6 October 2022 on emergency action to tackle high energy prices:** - reduce consumption by a target 5% during peak hours - 180 Euro/MWh threshold for solar, nuclear, hydro, wind and lignite production mainly; revenues above this threshold will be collected by the state - solidarity mechanism -33% of profits in fiscal year 2022, if there is an increase of more than 20% compared to the 2018-2021 average - The funds obtained on the last two points will be redirected to domestic consumers, companies in difficulty, reduced tariffs or social aid.

A.3.1.2 Supply activity

2022	2023
In 2021, with an impact on the electricity and gas supply activity, the following regulations were adopted: **a. Primary legislation:** **GEO no. 143/2021** amending the Law on Electricity and Natural Gas no. 123/2012: - The ordinance mainly aims at transposing *Directive (EU) 2019/944 on the internal electricity market*, including amendments/completions concerning mainly: - provision of universal service (US): by any supplier in the competitive market (by providing for the obligation to make offers for US and provide US on request), only to household customers; - electricity supply prices: deletion of the provisions on regulating/regulating supply prices to final customers; mention, however, of the possibility of interventions in price formation to protect vulnerable customers or those in energy poverty, subject to certain conditions and notification to the European Commission; - wholesale electricity market: removal of the obligation for transactions on this market to be carried out in a public and centralised manner; the new provisions explicitly mention "directly negotiated bilateral transactions"; - obligations (miscellaneous) suppliers: repeal of provisions on the establishment of single physical contact points at max. 50 km for universal service customers; - (miscellaneous) supplier rights: introduction of the possibility for suppliers to charge end customers (without distinction) fees for the termination of fixed-term, fixed-price supply contracts in case of early termination by the customer; introduction of the possibility to charge a fee for changing supplier, except for household customers and small businesses; - Change of electricity supplier: introduction of a 24-hour switching period until 2026 and on any working day; provision of the right for customers to collectively change supplier; - Electricity standard offers/price comparators: extending suppliers' obligations to prepare standard offers and upload them to ANRE's price comparator to include micro-enterprises (i.e. enterprises with less than 10 employees and whose annual turnover and/or annual balance sheet total does not exceed €2 mn.) with an estimated annual consumption below 100,000 kWh; - misleading/unfair commercial practices in the electricity/natural gas supply activity: maintaining the infringement ascertained by ANRE only in relation to non-household customers and eliminating the correlative fine for non-compliance from the turnover and replacing it with a lump sum fine; in relation to household customers, the infringement will be ascertained by the National Authority for Consumer Protection (ANPC); - Electricity and gas billing: obligation to issue regularization invoice for domestic customers once every 3 months maximum, contravention for non-compliance, sanctioned with fine; - prohibition of electricity disconnection: introduction of the possibility for ANRE to provide for other cases of disconnection than those provided for vulnerable customers; - offences: return to the definition of a repeated offence as involving the commission of the same offence at least twice within 12 consecutive months (compared to at least twice previously); - prosumers: introduction of quantitative compensation (as opposed to exclusively financial compensation previously), increased power limits. **Law No 226/2021** on the establishment of social protection measures for vulnerable energy consumers: - *the law* came into force on 1 November 2021; - the financial measures provided for the protection of	In 2022, with an impact on the electricity and gas supply activity, the following regulations were adopted: **a. Primary legislation:** **GEO no. 118/2021** on the establishment of a compensation scheme for electricity and natural gas consumption for the 2021-2022 cold season, approved with amendments and additions by Law no. 259/2021: - The planned support scheme will be applied for the period November 2021 - March 2022 and was established in the context of rising prices on the electricity and natural gas markets at international level, as well as the effects of these increases for the Romanian population; - the following consumer support schemes are provided: - compensation for household customers if they fall within the maximum consumption limits set for the entire period of application (i.e. 1,500 kWh for electricity, 1,000 m^3 for natural gas), respectively monthly and within the reference price of 0.68 lei/kWh for electricity, respectively 125 lei/MWh for natural gas; the amount of compensation is 0.291 lei/kWh for electricity, respectively 33% of the bill for natural gas; - exemption from payment of regulated tariffs, other contributions and excise duty for SMEs, individual medical practices and other liberal professions, microenterprises, licensed natural persons, sole proprietorships, family enterprises (i.e. regulated feed-in/withdrawal tariffs, distribution tariff, system service tariff, transmission tariff, green certificates, contribution for high efficiency cogeneration and excise duty - for electricity; transmission cost, distribution tariff and excise duty - for natural gas); - capping of the final invoiced price to a maximum of 1 leu/kWh, of which the electricity price component of max. 0.525 lei/kWh for electricity, respectively a maximum of 0.37 lei/kWh, of which the gas price component of max. 0,250 lei/kWh for natural gas for household customers, public and private hospitals, public and private educational establishments and nurseries, non-governmental organisations, religious establishments, public and private social service providers; - suspension of bill payments - on request, only for vulnerable consumers, for a period of min. 1 month and max. 6 months; - Mechanisms are also provided for the settlement of amounts related to support schemes from the state budget to electricity and gas suppliers. **GEO no. 2/2022** on the establishment of social protection measures for employees and other professional categories in the context of prohibition, suspension or limitation of economic activities, caused by the epidemiological situation generated by the spread of SARS-CoV-2 coronavirus, as well as for the modification and completion of some normative acts: - The ordinance provides for amendments and additions to GEO No 118/2021 as follows: - extending the scope of the ceiling by including in the category of beneficiaries also public cultural institutions and cultural establishments subordinated to central and local public administration authorities; - prohibition to disconnect or interrupt, until 30 June 2022, the electricity supply for non-payment of household customers; - provision, in the case of invoices that do not comply with the legal provisions on the application of support schemes (compensation, exemption, capping), for their automatic reissue within a maximum of 15 days from the date of issue. For invoices already issued, the deadline for their reissue is 15 days after the entry into force of this GEO, i.e. until 3 February 2022 (inclusive). The execution of the payment obligation for invoices in the process of being recalculated is also suspended until new invoices are issued.

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vulnerable consumers are: aid for heating the home during the cold season, i.e. 1 November - 31 March (max. 500 lei/month for electricity and 250 lei/month for natural gas); the energy supplement granted throughout the year (30 lei/month for lighting and 70 lei/month if the only source of energy used is electricity, and 10 lei/month for natural gas); the amounts corresponding to both types of aid are paid directly to suppliers and deducted from the bill;
- the financial protection mentioned above benefits consumers who meet the income eligibility criteria. Thus, the average monthly net income up to which heating aid is granted is 1,386 lei/person, in the case of a family, and 2,053 lei, in the case of a single person.

GEO no. 118/2021 on the establishment of a compensation scheme for electricity and natural gas consumption for the 2021-2022 cold season, approved with amendments and additions by Law no. 259/2021:
- The planned support scheme will be applied for the period November 2021 - March 2022 and was established in the context of rising prices on the electricity and natural gas markets at international level, as well as the effects of these increases for the Romanian population;
- the following consumer support schemes are provided:
- compensation for household customers if they fall within the maximum consumption limits set for the entire period of application (i.e. 1,500 kWh for electricity, 1,000 m^3 for natural gas), respectively monthly and within the reference price of 0.68 lei/kWh for electricity, respectively 125 lei/MWh for natural gas; the amount of compensation is 0.291 lei/kWh for electricity, respectively 33% of the bill for natural gas;
- exemption from payment of regulated tariffs, other contributions and excise duty for SMEs, individual medical practices and other liberal professions, microenterprises, licensed natural persons, sole proprietorships, family enterprises (i.e. regulated feed-in/withdrawal tariffs, distribution tariff, system service tariff, transmission tariff, green certificates, contribution for high efficiency cogeneration and excise duty - for electricity; transmission cost, distribution tariff and excise duty - for natural gas);
- capping of the final invoiced price to a maximum of 1 leu/kWh, of which the electricity price component of max. 0.525 lei/kWh for electricity, respectively a maximum of 0.37 lei/kWh, of which the gas price component of max. 0,250 lei/kWh for natural gas for household customers, public and private hospitals, public and private educational establishments and nurseries, non-governmental organisations, religious establishments, public and private social service providers;
- suspension of bill payments - on request, only for vulnerable consumers, for a period of min. 1 month and max. 6 months;

Mechanisms are also provided for the settlement of amounts related to support schemes from the state budget to electricity and gas suppliers.

Joint Order of the Minister of Labour and Social Protection (no. 1.155/25 November 2021), the Minister of Energy (no. 1.240/25 November 2021) and the Minister of Finance (no. 1.480/26 November 2021) approving the procedure for the settlement of the amounts related to the compensation scheme regulated by GEO no.118/2021:
- clarifications are provided on the application of support schemes and the settlement of the related amounts to suppliers;
- compensation scheme for household customers: the documents to be submitted by suppliers for settlement and the related deadlines are provided;
- the scheme for exempting non-household customers from the payment of regulated tariffs, excise duties, contributions, etc. - the following are provided for: the documents to be submitted by suppliers for settlement; a model application and affidavit; the fact that the benefit will be granted from the month of application (except for applications submitted in December, for which the benefit

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GEO no. 3/2022 amending and supplementing GEO no. 118/2021:
- the following amendments and additions to GEO no. 118/2021 are provided for, with application from 1 February to 31 March 2022:
- increasing the consumption margin for compensation from 300 kWh/month (+10%) to 500 kWh/month (+10%) for electricity and from 200 mc/month to 300 mc/month for natural gas;
- change the price cap for household customers (from 1 leu/kWh to 0.8 lei/kWh for electricity and from 0.37 lei/kWh to 0.31 lei/kWh for natural gas) and introduce a price cap for all non-household customers (1 leu/kWh for electricity and 0.37 lei/kWh for natural gas);
- the cap still concerns both the final price and the electricity/natural gas purchase component: for household customers - 0.8 lei/kWh final price for electricity, of which 0.336 lei/kWh electricity price component; 0.31 lei/kWh final price for natural gas, of which 0.200 lei/kWh natural gas price component; for non-household customers: 1 leu/kWh final price for electricity, of which 0.525 lei/kWh electricity price component; 0.37 lei/kWh final price for natural gas, of which 0.250 lei/kWh gas price component;
- recovery of the capped amounts will be made according to the thresholds indicated above, in conjunction with the period of application: from 1 November 2021 to 31 January 2022, by the difference between the average monthly purchase price and the threshold of 525 lei/MWh for electricity and 250 lei/MWh for natural gas. From 1 February, recovery will be made: for household customers - by the difference between the average monthly purchase price and the threshold of 336 lei/MWh for electricity and 200 lei/MWh for natural gas; for non-household customers - by the difference between the average monthly purchase price and the threshold of 525 lei for electricity and 250 lei/MWh for natural gas.

GEO no. 27/2022 on the measures applicable to final customers in the electricity and natural gas market during the period 1 April 2022-31 March 2023, as well as for the amendment and completion of some normative acts in the field of energy:
- the period of application of the support (capping) scheme is 1 year, i.e. 1 April 2022 - 31 March 2023.
- for electricity the final invoiced price is: maximum 0.68 lei/kWh (VAT included) for household customers with an average monthly consumption (at the place of consumption in 2021) less than or equal to 100 kWh, maximum 0.8 lei/kWh (VAT included) for household customers with an average monthly consumption between 100 kWh and 300 kWh inclusive, maximum 1 leu/kWh (VAT included) for non-household customers (household customers are included according to the average monthly consumption in 2021, the capped prices will apply for the whole period regardless of the quantity consumed. In the case of household customers who were not initially included in the cap but whose consumption in 2022 is included, suppliers issue regularisation invoices in February 2023 using the capped price for the period in which they consumed).
- for natural gas the final price invoiced is: maximum 0.31 lei/kWh (VAT included) for domestic customers, maximum 0.37 lei/kWh (VAT included) for non-household customers whose annual consumption of natural gas in 2021 at the place of consumption is no more than 50,000 MWh and for thermal energy producers;
- Customers connected after 1 January 2022 will be billed with a ceiling: domestic electricity customers at 0.68 lei/kWh (with minimum ceiling), domestic gas customers at 0.31 lei/kWh (category ceiling), non-household electricity customers at 1 leu/kWh (category ceiling) and non-household gas customers at 0.37 lei/kWh (regardless of consumption);
- customers who do not fall under the cap will have monthly adjustable prices, the variable being a correction component for the purchase price, so that the cost of

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will be granted from November); the fact that, when changing supplier, the compensation is made pro rata;
- capping - it is stipulated that: the subscription (the countervalue of the subscription services) is not included in the capped final invoiced price (1 leu/kWh for electricity, 0.37 lei/kWh for natural gas); the average price in the settlement formula refers to the quantities purchased by each supplier; the difference for settlement will be calculated monthly, followed, at the end of the application period, by a regularisation.

GEO no. 130/2021 on some fiscal-budgetary measures, extension of some deadlines, as well as for the amendment of some normative acts:
- The ordinance provides for amendments and additions to GEO No 118/2021 and Law No 259/2021 as follows:
- settlement to suppliers of the amounts related to the capping: the average price for all ongoing contracts with delivery during the period of application of the scheme will be taken into account; the purchase for last resort supply will be analysed separately for customers in the portfolio of an RUF, so that the quantity of additional energy purchased is highlighted; the supporting documents on the basis of which the compensation/discharge to suppliers will be made will be those relating to the quantities and prices of the ongoing purchase contracts with delivery during the period of application of the scheme, respectively the quantity of electricity/natural gas delivered to cover the consumption of customers with capped prices, in the portfolio for the period of application.

GD no. 1077/2021 for the approval of the Preventive Action Plan on measures to guarantee the security of natural gas supply in Romania:
- there are no substantial new elements compared to the previous *Plan;*
- the particular obligation of suppliers remains to guarantee continuity of gas supply to protected customers in the three cases of gas supply crisis foreseen, i.e. household customers, SMEs and providers of essential social services, heat producers, who cannot operate with other fuels and who supply heating to the protected customers mentioned; they cannot be interrupted in practice.

With regard to legislation related to the energy sector, in the context of the COVID-19 pandemic, the government decided to successively extend the state of alert initially established in 2020 (by Decision no. 394/2020), by 30 days, as follows: starting 13 January 2021, by GD no. 3/2021; starting 12 February 2021, by GD no. 35/2021; starting 14 March 2021, by GD no. 293/2021; starting 13 April 2021, by GD no. 432/2021; as from 13 May 2021, by means of GD no. 531/2021; as from 12 June 2021, by means of GD no. 636/2021; as from 12 July 2021, by means of GD no. 730/2021; as from 11 August 2021, by means of GD no. 826/2021; as from 10 September 2021, by means of GD no. 932/2021; from 10 October 2021, by GD No 1090/2021; from 9 November 2021, by GD No 1183/2021; from 9 December 2021, by GD No 1242/2021; from 8 January 2022, by GD No 34/2022.

Correlatively, until 6 August 2021, this implied the application of measures with an impact on the electricity and natural gas supply activity (i.e. the obligation of electricity and natural gas transmission and distribution operators to ensure the continuity of service provision and, in the event of a disconnection/disconnection reason, the postponement of this operation until the end of the alert state).

After 6 August 2021, by the entry into force of *GEO no. 84/2021,* the provisions prohibiting the disconnection of electricity and natural gas end customers during the alert state were removed. As regards the suspension of supply in case of non-payment of outstanding debts, according to GEO no. 84/2021 this measure cannot be taken earlier than 90 days after the entry into force of GEO no. 84/2021.

the purchase (with PE within 5%) is passed on to the end customers. The exception is only the first two months of the application period, when the price is not adjustable. At the request of final customers, suppliers may also conclude supply contracts under conditions other than those laid down in the article referring to uncapped customers.
- the subscription is included in the cap; if the price in the current contracts with end customers is lower than the capped price, the contract price applies.
- the supply component is 73 lei/MWh for the electricity supply activity and 12 lei/MWh for the natural gas supply activity and for the customers taken over in the last resort it is 80 lei/MWh for the electricity supply activity and 13.5 lei/MWh for the natural gas supply activity (the GEO sets the value of the supply component, without specifying that it is a maximum).
- for the purchase of electricity and natural gas, the monthly imbalance must not exceed 5% of the value of the energy delivered monthly to the end customers in the portfolio, which exceeds this threshold will not be recognized and settled; the purchase made for supply in last resort does not have balancing costs limited to 5%; the obligation to establish between 1 April and 31 October 2022 storage deposits of at least 30% of the quantity of natural gas required for the consumption of end customers in its portfolio appears
- the recovery of the capping amounts is fully realized under the condition of respecting the limit of 5% of the cost with imbalances; the losses registered from the application of the support scheme in the period 1 November 2021 - 31 March 2022 can also be recovered (a supply cost of 73 lei/MWh is accepted and we have the limit of the cost with imbalances at 5% of the purchase cost) - for the recovery to be at a high level it is necessary to invoice all the consumption, including in the SoLR regime, until the beginning of May.
- the supplier has the obligation to notify the customers about the changes resulting from the application of the provisions of the GEO with the first invoice sent after the entry into force (the fine is between RON 100 th. and RON 400 th.).
- Fines: between 1-5% of turnover for non-compliance with the cap and cost limits; between RON 20 th. and RON 400 th. for non-compliance with the provisions for supply as a last resort; between RON 100 th. and 400 RON th. if we do not inform end customers, if we do not keep differentiated/segmented monthly customer records, if we do not identify customers for the application of the cap or if we do not submit the documents requested by ANRE.

GEO no. 42/2022 amending and supplementing Government Emergency Ordinance no. 27/2022 on the measures applicable to end customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as amending and supplementing certain regulatory acts in the field of energy:
- the deadline for submission of documents for the recovery of amounts capped by the application of GEO 118/2021 is extended from 15 May to 15 July 2022
- ANRE publishes reporting templates for the settlement of the capped amounts, templates that are to be filled in for each category of customers benefiting from the cap (average unit costs must be calculated for both regulated network tariffs and charges); a fine of 50 thousand lei has been introduced for failure to comply with the instructions for uploading the templates and for failure to comply with the deadlines for rectifying the data uploaded on the IT platform and for resubmitting claims/statements for settlement;
- in the category of non-household natural gas customers who benefit from the cap are also thermal energy producers without exception.

Law no. 206/2022 for the approval of Government Emergency Ordinance no. 27/2022 on measures applicable to end customers in the electricity and natural gas market

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	between 1 April 2022 and 31 March 2023, as well as for the amendment and completion of some normative acts in the field of energy - The main new elements are the following: - a single invoice form will be introduced, drawn up by joint Order of ANRE and ANPC; - final electricity customers, who do not benefit from capping, are charged the minimum price between the price in the current supply contract and the final price resulting from the application of the GEO. - final gas customers are charged the minimum of the contract price, the final capped price and the price resulting from the application of the GEO. **GEO no. 112/2022** on the establishment of some measures to stimulate investments financed by non-reimbursable external funds in the field of energy efficiency, renewable energy resources for large enterprises and small and medium enterprises, green energy from renewable sources for local public authorities, as well as some measures in the field of smart specialization, and for the modification and completion of some normative acts - regulates the general framework for establishing energy efficiency/renewable energy measures for large enterprises and SMEs with funding from non-reimbursable external funds allocated under the Large Infrastructure Operational Programme; - amends and completes GEO 27/2022 with provisions on the elaboration and approval by ANRE in consultation with ANPC of the mandatory minimum content of natural gas/ electricity bills so that the bills contain correct, transparent, clear, legible and easy to understand information, which will allow household customers to adjust their own consumption and compare the commercial supply conditions, i.e. suppliers are obliged to implement in the information system the provisions on the unit bill starting with consumption in April 2023. **Law no. 248/2022** approving Government Emergency Ordinance no. 143/2021 amending and supplementing the Electricity and Natural Gas Law no. 123/2012 and amending some normative acts Approves GEO 143/2022 with amendments and additions regarding: - definition of renewable energy, definition of economic efficiency, definition of prosumer (completed with mobile unit equipped with electricity generation systems during regenerative braking); - ANRE's obligations to promote the comparator, provide access to an application programming interface (API) for software developers, publish aggregated data within 30 days; - generators are obliged to trade at least 40% of their annual electricity production through contracts on electricity markets other than DAM, PI and PE (except for generation capacities commissioned after 1 June 2020); - the supplier has the obligation to ensure at least 40% of the electricity necessary to cover the consumption of the final customers in the portfolio from its own production or through the purchase by forward contracts on the electricity markets, other than DAM, PI and PE; - prosumers, natural and legal persons and local public administration authorities that own power plants producing energy from renewable sources are exempted from the obligation of annual and quarterly purchase of green certificates for their own final consumption; prosumers can also request quantitative compensation of regenerative energy resulting from regenerative braking; - iin the case of household customers, authorised natural persons, sole proprietorships, family businesses and public institutions connecting to the low voltage grid, the distribution operator will reimburse the applicant within 5 years, the actual cost of the design and execution of the connection, up to an average value of a connection, established according to a methodology approved by ANRE, the recovery of the costs of connection of household

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	customers is made with accelerated depreciation over a period of 5 years, through distribution tariffs; - In the case of non-household customers, the value of the connection work is borne in full by them, the resulting assets do not become the property of the distribution operator but are only transferred to the operator for exploitation; **GEO no. 119/2022** - Emergency Ordinance amending and supplementing Government Emergency Ordinance no. 27/2022 on the measures applicable to end customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as amending and supplementing certain regulatory acts in the field of energy - the period of application of the support (capping) scheme is 1 September 2022-31 August 2023, - the final capped invoiced price for electricity is: maximum 0.68 lei/kWh, (VAT included) for household customers whose average monthly consumption at the place of consumption in 2021 was between 0-100 kWh inclusive; maximum 0.80 lei/kWh (VAT included) for household customers whose average monthly consumption at the place of consumption in 2021 was between 100.01-300 kWh - for a monthly consumption which is maximum 255 kWh; maximum 1 leu/kWh (VAT included) for 85% of the average monthly consumption at the place of consumption in 2021 for small and medium-sized enterprises (SMEs), economic operators in the food industry, public institutions; maximum 1 leu/kWh (VAT included) for the full consumption of public and private hospitals, public and private education units, nurseries, public and private social service providers. In order to benefit from the facilities provided for by this GEO, starting from 1 September 2022, the above-mentioned non-household customers are obliged to submit to their electricity supplier a request accompanied by a declaration on their own responsibility, within a maximum of 30 days from the date of entry into force of this GEO. Beneficiaries who fall within the provisions of the GEO and who have not submitted their application accompanied by a declaration on their own responsibility in September 2022, as well as those established after 1 September 2022, shall benefit from the provisions of this GEO starting from the 1st of the month following their submission to the supplier. - the final capped invoiced price for natural gas is: maximum 0.31 lei/kWh (VAT included) for household customers (also applies to consumption sites of household customers connected from 1 January 2022 or for household customers who have no history with the supplier in 2021, based on monthly consumption); maximum 0.37 lei/kWh (VAT included) for non-household customers whose annual consumption of natural gas in 2021 at the consumption site is 50,000 MWh, as well as in the case of thermal energy producers (also applies to the consumption places of non-household customers connected as of 1 January 2022); - the values and tranches foreseen for the capping scheme may be modified by Government decision, depending on the developments on the domestic and international electricity and natural gas markets and on the geopolitical developments in Romania's neighbourhood; - the electricity and gas supply component is 73 lei/MWh for electricity supply and 12 lei/MWh for gas supply; - the amounts of compensation for each supplier shall be determined by ANRE within 30 days from the date of receipt of the settlement requests submitted and registered with ANPIS (domestic customers) and ME (non-domestic customers) respectively, and copied to ANRE; - the maximum value of the weighted average electricity price at which ANRE calculates the amounts to be settled from the state budget for electricity suppliers is 1,300 lei/MWh; - Starting from 1 September 2022, during the period of application of the provisions of this Emergency Ordinance, electricity generators, aggregated electricity generating entities, traders, suppliers carrying out trading activities

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	and aggregators trading quantities of electricity and/or natural gas on the wholesale market shall pay a contribution to the Energy Transition Fund calculated according to the methodology of this GEO; - bilateral contracts concluded on the wholesale market by direct negotiation are reported to ANRE by the contracting parties within 2 working days from the date of conclusion; - the successive sale of quantities of electricity or natural gas by traders and/or suppliers with trading activities, with the deliberate aim of increasing the price, is sanctioned by ANRE with a fine of 5% of the turnover; **GEO no. 153/2022 -** Emergency Ordinance for amending and supplementing Government Emergency Ordinance no. 27/2022 on the measures applicable to end customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as for amending and supplementing certain regulatory acts in the field of energy and amending Government Emergency Ordinance no. 119/2022 amending and supplementing Government Emergency Ordinance No. 27/2022 on the measures applicable to final customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as amending and supplementing certain regulatory acts in the field of energy - for the period from 1 January 2023 to 31 March 2025, the centralised electricity purchase mechanism shall be established - The mechanism provides - OPCOM, as the single buyer, buys electricity from producers (electricity producers with an installed capacity of 10 MW or more) and sells the purchased electricity to electricity suppliers that have contracts with end customers, electricity transmission and system operators and electricity distribution operators to cover their own technological consumption; the price paid by OPCOM to electricity producers for the quantities of electricity sold by them is 450 lei/MWh and the OPCOM sales price to economic operators is also 450 lei/MWh (OPCOM has the right to charge market participants tariffs/commissions at the level of the costs incurred through the organisation of the centralised electricity purchase mechanism); OPCOM organises an annual purchase procedure and an additional purchase procedure each month for the quantities of electricity to be delivered in the following month; the annual and monthly quantities of electricity are binding obligations of the electricity producers and economic operators and are distributed evenly over all the settlement intervals of each month (the contracts are concluded by signing within a maximum of 3 working days). **GEO no. 163/2022 -** Emergency Ordinance for the completion of the legal framework for the promotion of the use of energy from renewable sources, as well as for the modification and completion of some normative acts - completes the legal framework established by Law no. 220/2008, by laying down rules on: financial support for electricity from renewable sources, self-consumption of this type of electricity, the use of energy from renewable sources in the heating and cooling and transport sectors, regional cooperation between Romania and Member States and third countries, guarantees of origin for energy from renewable sources, applicable administrative procedures, regulations and codes, information and training of both relevant stakeholders and consumers on the practical, including technical and financial, aspects of the development and use of energy from renewable sources, sustainability and greenhouse gas emission reduction criteria for biofuels, bioliquids and biomass fuels. Defines new notions: prosumers acting collectively, renewable energy community, etc. - the central public administration authorities and ANRE may apply taxes and tariffs to renewable energy consumers in one or more of the following cases: if self-produced renewable electricity is effectively supported through support schemes, as of 1 December 2026, if the installed capacity of the prosumers' power plants exceeds

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	8% of the total installed capacity of the national electricity generation capacity or if self-produced renewable electricity is produced in installations with a total installed capacity of electricity above 30 kW. **GEO no. 166/2022** - Emergency Ordinance on some measures for granting support to vulnerable categories of people to compensate for the price of energy, partly supported by non-reimbursable external funds - people with low incomes (pensioners of the public pension system whose monthly income is less than or equal to RON 2,000, people with serious, severe or medium disability, whose own monthly income is less than or equal to RON 2,000 and other categories) will receive from the state this year an aid of RON 1,400, money that they can use to pay bills or debts for electricity, centralized thermal energy, gas, gasoline, firewood and others. The support for paying energy bills will be RON 1,400, which will be granted in two equal instalments of RON 700 each, in February and September 2023. **Law no. 357/2022** - Law on the approval of Government Emergency Ordinance no. 119/2022 for the modification and completion of Government Emergency Ordinance no. 27/2022 on the measures applicable to final customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as for the modification and completion of some normative acts in the field of energy - GEO no. 119/2022 is approved for the modification and completion of GEO no. 27/2022 with some amendments; the electricity price cap is extended until 31 March 2025; - the final capped invoiced price of electricity supplied to household customers between 1 January 2023 and 31 March 2025 is: o 0.68 lei/kWh, VAT included, for consumption during the period 1 January 2023 - 31 March 2025 by the following categories of customers: a) household customers whose monthly consumption is between 0 and 100kWh inclusive; b) household customers who use medical devices, appliances or equipment necessary for treatments, based on an application and a declaration on their own responsibility submitted in writing to Electrica Furnizare S.A., and the capped final invoiced price will be applied from the date of the fifth of the month following the month in which the mentioned documents have been submitted, c) domestic customers who have at least 3 children under 18 years of age, respectively 26 years of age, in case they follow a form of education, on the basis of a request and a declaration on their own responsibility submitted in writing to Electrica Furnizare S.A., following that the final invoiced price will be applied from the date of the fifth of the month following the month in which the mentioned documents were submitted, d) single-parent families, who have at least one child under 18 years of age, respectively 26 years of age in case the child is attending a form of education, on the basis of an application and a declaration on their own responsibility submitted in writing to Electrica Furnizare S.A., the final billed price will apply from the first day of the month following the one in which the mentioned documents were submitted. o 0.80 lei/kWh, VAT included, for consumption during the period 1 January 2023 - 31 March 2025 by household customers whose monthly consumption at the place of consumption is between 100.01 and 255 kWh. Electricity consumption between 255 and 300 kWh/month is invoiced at a price of 1.3 lei/kWh, VAT included. If consumption exceeds 300 kWh/month, the entire consumption is invoiced at the price of 1.3 lei/kWh, VAT included. o 1.3 lei/kWh, VAT included, for household consumers not covered above. the ceilings for electricity prices applicable to non-household final customers are: o maximum 1 leu/kWh, for 85% of the average monthly consumption at the place of consumption (application

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	and affidavit of the legal representative) for: SMEs, Regional Operators (Law no. 51/2006), Bucharest Metro Transport Company "Metrorex" - S.A., as well as airports, which are under the subordination/coordination or authority of the Ministry of Transport and Infrastructure, economic operators in the field of food industry, identified by CAEN code 10, as well as those in the field of agriculture and fishing, identified by CAEN codes 01 and 03, local public authorities and institutions, deconcentrated public services of ministries and other central bodies, companies and commercial companies of county, municipal or local interest, autonomous companies and all public and private entities providing a public service, national research and development institutes; o maximum 1 leu/kWh, for the full consumption of public and private hospitals, public and private education units, nurseries and public and private providers of social services as listed in the Nomenclature of Social Services; o maximum 1 leu/kWh, VAT included, for 85% of the monthly consumption made at the place of consumption of public institutions, other than those mentioned above, as well as for places of consumption belonging to officially recognized cults in Romania; o non-household customers who do not fall into one of the above categories pay a price capped at a maximum of 1.3 lei/kWh, including VAT. - As regards the price of natural gas to non-household customers, the beneficiaries of the price capped at a maximum of 0.37 lei/kWh, including VAT, include non-household customers in industrial parks regulated by Law no. 186/2013, as well as those in closed distribution systems defined under Law no. 123/2012. In addition, the consumption limit of 50,000 MWh will refer to the year prior to the current year (not to 2021); for consumption places of non-household customers connected after 1 January 2022, the cap will apply only within the limit of an annual consumption of no more than 50,000 MWh. - the principle is maintained that, when billing electricity and natural gas, suppliers must apply the lower of (i) the maximum capped final price, (ii) the contract price or (iii) the final price calculated in accordance with the provisions of Articles 5 and 6, only in the case of natural gas. **GEO no. 192/2022** - Emergency Ordinance amending and supplementing Government Emergency Ordinance no. 27/2022 on the measures applicable to end customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as amending and supplementing certain regulatory acts in the field of energy - the final invoiced price for electricity of maximum 0.68 lei/kWh is applied to household customers whose place of consumption is inhabited by persons who use medical devices, appliances or equipment supplied from the electricity grid, necessary for medical treatment on the basis of a confirmation from the medical specialist and a request submitted to the supplier; for January 2023, instead of the medical confirmation, a declaration on own responsibility is submitted; the final invoiced price capped is applied from the date of the fifth of the month following the month in which the documents mentioned above were submitted; - the capping also applies to places of consumption used on the basis of a rental contract, the following documents must be submitted to the supplier by the household customer: the application for the application of the capped price, the copy of the rental contract, the tenant's affidavit that he/she falls into one of the categories benefiting from the capping or the medical confirmation, as the case may be. - The electricity cap applies to all consumption points of a household customer according to the consumption at each of them. - the annual and monthly centralised purchasing mechanisms (MACEE) are modified with regard to the

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b. Secondary legislation:

During the reporting period, changes and additions to the regulatory framework were made in the following areas of activity and regulation:

Liberalisation of the electricity market

ANRE Order no. 5/2021 amending ANRE Order no. 171/2020 approving *the conditions for the supply of electricity by suppliers of last resort (FUI)* and amending and supplementing *the Framework Contract for the supply of electricity to household customers of FUI,* approved by *ANRE Order no. 88/2015:*

- contains provisions on the commercial discount that the FUI can grant to household customers who choose a competitive supply contract. This discount, equal to the difference between the price in the universal service offer applicable during the period 1 January to 30 June 2021 and the price in the lowest competitive offer valid on 20 January 2021, applies for the period from 1 January 2021 until at least 30 June 2021;
- new obligations have been introduced for the FUI to inform household customers in its portfolio:
- by 30 June 2021, together with each bill issued: an information on the elimination of regulated tariffs, as well as a bid selection form, in the form established by ANRE, containing the competitive offer with the lowest value, an alternative competitive offer and the universal service offer, offers applicable in the first half of 2021, as well as the amount of the commercial discount granted and the period of application, if applicable;
- from 1 May to 30 June 2021, monthly: a competitive offer and a universal service offer, applicable from 1 July 2021;
- in the second half of 2021, with each bill issued: information on the elimination of regulated tariffs.

ANRE Order no. 6/2021 amending *the Regulation on the designation of electricity FUIs approved by ANRE Order no. 188/2020*:

- the definition of non-household customers supplied under the last resort (UI) regime has been modified to include customers who are supplied because they do not have supply from any other source, as well as those who request supply under the UI regime.

Electricity/natural gas retail market - trade regulations

ANRE Order no. 82/2021 and no. 91/2021 amending and supplementing the *Regulation on the supply of electricity to final customers*:

- the changes/completions are applicable, as a general rule, from 1 July 2021, and, by exception (e.g. new provisions on the resolution of customer bill complaints, payment of compensation due under the Performance Standard), from 1 January 2022;
- The changes mainly concern: the content and publication of the offer and the supply contract (it must include all the price elements and be published, cumulatively, in the ANRE Price Comparator, on the website and at the single point of contact), the method of determining consumption for billing purposes in the absence of the read/auto index (the estimation of consumption by the supplier on the basis of the most recent readings or the consumption of the previous similar period being allowed only until the end of 2021, thereafter it will be carried out exclusively on the basis of the consumption agreement issued by the distributor and concluded with the final customer by the supplier), the conclusion of the supply contract - necessary documents (i.e.g. the property deed is no longer mandatory, being replaced by an affidavit of entitlement

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transmission of forecasts and quantities purchased, guarantees, payments, etc.

b. Secondary legislation:

During the reporting period, changes and additions to the regulatory framework were made in the following areas of activity and regulation:

Electricity/natural gas retail market - trade regulations

ANRE Order no. 64/2022 - amending and supplementing the Performance Standard for the electricity distribution service, approved by Order no. 46/2021 of the President of the National Energy Regulatory Authority.

- the reading interval of the metering group index is set by contract and can be longer than one month, but must not exceed 3 months for household customers and 6 months for non-household end customers, for consumers it is one calendar month, for users benefiting from smart metering systems OD is obliged to provide access to historical consumption data (failure to comply with these deadlines leads to the payment of compensation);
- sets a timetable for monitoring substations and transformer points - final implementation deadline is 01 January 2028

ANRE Order no. 131/2022 - Order approving the Performance Standard for the natural gas distribution service

- is established: the level of general performance indicators for the following activities (i.e. registration and settlement of complaints/claims/requests from users regarding the gas distribution service, access/contracting of the gas distribution service, compliance with the conditions for delivery/take-back of gas; connection to the gas distribution system; restoration of land and/or property

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to the place of consumption), settlement of customer complaints about bills and termination of the supply contract for non-payment of bills (without mandatory disconnection of the place of consumption), completion of the mandatory content of the disconnection notice. **ANRE Order no. 83/2021** approving *the Performance Standard for the electricity/natural gas supply activity*: - The regulation is common for electricity and natural gas, replaces the existing standards for the two areas and is applicable from 1 January 2022, except for the provisions on the indicator for call centre call handling (applicable from 1 July 2023 and from 1 January 2024 for compensation payments); - 11 quality-assured indicators are established for response times to requests related to: transmission of supply offer; conclusion of supply contract; amendment/completion of supply contract; invoices; interruption/limitation of supply at the place of consumption, if any, ordered by the supplier; resumption of supply at the place of consumption, whose interruption/limitation has been ordered by the supplier, subject to the scope of activity of the network operator; transmission of the reply received from the network operator; the process of changing supplier; supply activity other than those expressly provided for; the time taken to answer a telephone call made through the call centre service; - for each quality indicator, ANRE has established a guaranteed level that suppliers are obliged to respect and for which suppliers will automatically/justifiably pay compensation to all categories of final customers; - a way for ANRE to evaluate the activity carried out by suppliers is introduced, through a scoring system based on the degree of compliance with the guaranteed levels of quality indicators, which will be made public through ANRE's Price Comparator; - in conclusion, compared to the current standards: the scope of automatic payment of compensation to all categories of customers has been extended, more guaranteed quality indicators have been introduced (11 compared to 8 for electricity and 4 for natural gas, respectively, at present), the levels of compensation for natural gas have been doubled/tripled, the method of classifying suppliers according to the level of compliance with the guaranteed quality indicators has been introduced. **ANRE Order No 138/2021** on the amendment of some ANRE orders: - certain provisions are amended, i.e. certain deadlines for entry into force of the performance standards for the electricity/natural gas supply activity are extended, as follows: - change of the deadline for sending to the final customer the answer to the complaints about the electricity bill - 15 working days (instead of 5 working days previously); - change of the deadline for sending to the final customer the answer to the complaints about the gas bill - 15 working days (instead of 15 calendar days previously); - the extension until 1 July 2022 (instead of 1 January 2022) of the deadline for the entry into force of some of the amendments made to *the Regulation on the supply of electricity to final customers* by ANRE Order No 82/2021; most importantly, those relating to the automatic payment of compensation to all categories of affected customers (not only those benefiting from universal service); - extension of the deadline for the entry into force of the new *Performance Standard for the electricity/natural gas supply activity* (approved by ANRE Order no. 83/2021) until 1 July 2022 (compared to the deadline initially foreseen of 1 January 2022). **ANRE Order no. 139/2021** amending and supplementing the Framework Contract for the distribution of natural gas and the related General Conditions (ANRE Order no. 78/2020), as well as the Regulation for the supply of natural gas to end customers (ANRE Order no. 29/2016): - contains modifications/completions concerning:	affected by the execution of works on the gas distribution system objectives; the interruption/limitation/resumption of the natural gas distribution service), the compensations that the distribution operators are obliged to pay in case of non-compliance with their obligations under this Order; the specific performance indicators of the distribution operators' activities; the way of reporting by the distribution operators of the information on the quality and performance of their activities; the way of evaluating the activities of the distribution operators.

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documents required for the conclusion of the supply contract (e.g. replacement of the copy of the document proving the ownership or use of the space with a declaration on own responsibility); management of distribution contracts concluded between the supplier and the distribution operator - DSO (elimination of the obligation to conclude additional acts for extension or modification); consumption measurement (introduction of the obligation for the DSO to read the meter at the beginning and end of the supply contract, including when changing the supplier, introduction of a *Framework Format* of the data transmitted by the DSO to the supplier for the settlement of gas consumption to final customers, invoicing of distribution services to be carried out on the basis of the quantities determined, in order, on the basis of the reading carried out by the DSO, self-reading transmitted by customers).	
N/A	**Online platform for changing electricity and gas supplier (POSF)** **ANRE Order no. 3/2022** approving the Regulation on the organization and operation of the online platform for changing the electricity and gas supplier and for contracting the supply of electricity and natural gas: - application deadline - 28 August 2022; - initiated in order to achieve the objective set by the European legislation on the change of supplier within 24 hours, starting from 2026; - ANRE is the administrator and operator of the platform where data will be uploaded by end customers, suppliers, network operators, aggregators, etc. (including the standard offers of suppliers), which will mediate the process of changing supplier through the necessary administrative and technical steps and through which customers will be able to contract a new supplier; - The regulation also details the rules on the conclusion of the supply contract, i.e. the actual procedure for changing the supplier, which will replace the current procedure. **ANRE Order no. 109/2022** - amending and supplementing the Order of the President of the National Energy Regulatory Authority no. 3/2022 approving the Regulation on the organisation and functioning of the online platform for changing the electricity and natural gas supplier and for contracting the supply of electricity and natural gas - ANRE order no. 3/2022 comes into force on 28 August 2022, but applies from 10 October 2022, with some exceptions (suppliers' point of view, presented in point 4 below); - Thus, the deadline for the preparation/testing of the POSF platform has been extended until 10 October 2022; - until this date (10 October 2022), requests for change of supplier shall be solved according to Ord. ANRE 234/2019 - Procedure for the change of electricity/natural gas supplier by the final customer, with subsequent amendments and additions. After this date, Ord. ANRE no. 234/2019 is repealed. - Supplier obligations (art. 26, art. 27 lit. a, b, c, e, k, l, m, n) apply from 28 August 2022 and include: supplier obligations related to registration in POSF, organisation of activity for POSF, testing, connection with POSF, registration of standard offers in the comparator, including provision of related contracts, migration to POSF of all necessary information to become operational on 10 October 2022.

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Supply of last resort

ANRE Order no. 125/2021 amending and supplementing the *Regulation on the last resort supply of natural gas* (approved by ANRE Order no. 173/2020):
- contains amendments and additions concerning:
- Designation of suppliers of last resort (SFR): at least 5 SFRs, with a combined market share, in terms of number of final customers and quantities of natural gas sold, of at least 70% (compared to at least 3 SFRs previously, without other associated conditions);
- renouncing the status of UIF, upon request - the new cumulative conditions for UIFs designated on the basis of availability and eligibility (such as Electrica Furnizare) are: after at least 1 year from the date of designation (as before); at the date from which they wish to renounce, not to have customers taken over under the UI regime (new condition); with prior notification to ANRE at least 60 days before (compared to 45 days previously);
- duration of supply under the UI regime: min. 12 months from the date of takeover for small customers, i.e. with an annual consumption less than or equal to 28,000 MWh (compared to 3 months previously);
- Pricing for the supply of UI: obligation to maintain unchanged, for a period of at least 3 months from the date of takeover, the value of the supply and transport components (compared to the monthly pricing with all its components); exception - the situation where the values of the mentioned components become lower;
- criteria for setting the FUI for automatic customer takeover: the „lowest cost" criterion; the takeover capacity criterion, by verifying that the number of end customers to be taken over does not exceed 30% of the number of customers in the supplier's own portfolio; the takeover availability criterion, if the supplier does not meet the previous criterion (as opposed to the „lowest cost" criterion only).

ANRE decisions on the termination of the applicability of certain decisions designating suppliers as suppliers of last resort of natural gas, respectively designating suppliers as suppliers of last resort of natural gas:
- the termination of the applicability of the decisions of designation as suppliers of last resort of natural gas, at the request of the respective suppliers to renounce to this quality: CEZ Vanzare (from 02 January 2022) - ANRE Decision no. 2233/2021, CIS Gaz (from 14 December 2021) - ANRE Decision no. 2234/2021;
- new designated natural gas UIFs (according to the new rules established by ANRE Order no. 125/2021): E.ON Energie Romania - ANRE Decision no. 2237/2021, OMV Petrom - ANRE Decision no. 2238/2021, both starting from 15 December 2021;
- Electrica Furnizare FUI of natural gas in continuation.

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Supply of last resort

ANRE Order no. 91/2022 - for the approval of the Regulation on the last instance supply of electricity
- The Regulation for the designation of the last instance suppliers of electricity - Ord. ANRE no. 188/2020, the Regulation on the taking over by suppliers of last resort of consumption places of final customers who have not ensured the supply of electricity from any other source - Ord. ANRE no. 242/2020 and the Framework Contract for the supply of electricity to final customers taken over by the supplier of last resort.
- the introduction of the obligation for the SoLR with the largest market share in a network area to take over consumption places which, at the date of entry into force of ANRE Order No 91/2022, do not have a supply contract and are not disconnected;
- introduction of an alternative system for nominating SoLRs that automatically takes over customers on a monthly rotation basis. Thus, for this purpose, the list of the SoLRs is established in descending order of market share, each SoLR in the list being nominated in turn, on a monthly basis, to automatically take over customers who are without a supplier in that month. For periods when no support measures are imposed by primary legislation, the nomination system implies the obligation for the SoLR to transmit the last resort price at least 7 days before the month for which the nomination is made, so that the SoLR Nomination List is known, within a timeframe that allows the transmission of the takeover request;
- the introduction of automatic takeover by the nominated SoLR of non-household customers with a power approved by the technical connection notice/connection certificate of no more than 1 MVA, in the event of termination of the electricity supply contract by the current supplier;
- Limiting the period of time a customer can be in the portfolio of an SoLR to 12 months for household and non-household customers up to 1 MVA and 6 months for non-household customers above 1 MVA. 30 days prior to the date of termination of the contractual relationship, the SoLR shall notify customers of the termination of the electricity supply, or, if applicable, the extension of the supply period, specifying the period for which it will supply electricity. If, at the end of the period, customers have not succeeded in concluding a contract on the competitive market, they may continue to benefit from the services of an SoLR if they so request.

ANRE Order no. 110/2022 - amending and supplementing the Regulation on the last resort supply of natural gas, approved by Order of the President of the National Energy Regulatory Authority no. 173/2020
- in order to ensure the supply under the LR regime to final customers who do not have supply from any other source, ANRE shall designate a number of at least 7 SoLRs, whose cumulative market share, calculated for the competitive market by the equal weight of the number of consumption places of final customers and the quantity of natural gas sold to them in the last 12 months, shall be at least 70%. The shares on the competitive market of the suppliers designated as SoLR at the time of the analysis shall be taken into account, except for those for which a decision has been issued stating the termination of the applicability of the SoLR designation decision;
- if a supplier has been designated as an SoLR by selection based on availability and eligibility, it may resign from the SoLR status, upon request, if the following cumulative conditions are met: a) at least 1 year has passed since the date of designation, b) at the date it wishes to resign, it does not have in its portfolio any clients taken over in the SoLR;
- if a supplier has been designated as an SoLR by selection based on eligibility and capability, it may renounce the SoLR status, upon request, if the following cumulative conditions are met: a) at least 1 year has passed since

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	the date of designation, b) the list of designated SoLRs contains at least 7 suppliers whose cumulative market share is at least 70%, c) at the date it wishes to renounce, it does not have in its portfolio customers taken over in the SoLR; - For consumption sites with an annual consumption less than or equal to 28,000 MWh, the SoLR shall decide at its discretion whether to extend the period for ensuring the supply of natural gas under the LR regime to the consumption sites of customers taken over after the minimum period has been reached and shall notify the customers taken over at least 30 days before the end of the supply of natural gas under the LR regime. The notification may contain attached an offer to supply natural gas on a competitive basis; - the activity of supplying natural gas under the LR regime for final customers whose consumption places are automatically taken over is carried out in compliance with the framework contract for the supply of gas under the LR regime: - a) without the need to sign the contract with the SoLR, for the consumption site with an annual consumption less than or equal to 28,000 MWh; if the taken-over customer requests the SoLR to sign and send the contract for the supply of natural gas under the LR regime concluded with the SoLR, the SoLR is obliged to send it to the customer within a maximum of 5 working days; - b) on the basis of a supply contract concluded and signed with the SoLR, for the place of consumption with an annual consumption of more than 28,000 MWh; during the period between the date of takeover by the SoLR and the date of signing of the LR contract, between the customer taken over and the SoLR, the SoLR is allowed to provide the activity of supply of natural gas under LR for the places of consumption of the customer taken over without the existence of a contract signed with the latter, in compliance with the framework contract for the supply of natural gas under LR; - The SoLR has the right to ask the final customer with an annual consumption of more than 28,000 MWh to provide a financial guarantee, after the date of transmission of the takeover information/after receipt of the customer's request for takeover under the LR regime; The amount of the financial guarantee is set by order and must be provided within 5 working days from the date of receipt of the request. The client may be given the option of opting for payment in advance. - termination of the obligation to supply natural gas under the LR regime: on the date from which the contract for the supply of natural gas under the competitive regime concluded by the customer taken over with a competitive supplier takes effect, on the expiry of the duration provided for the situations under Article 24 para. (2) (i.e. minimum 12 months from the date of takeover, one month from the date of takeover, date of termination of the suspension of the NG supply licence of the FA, duration established by ANRE, etc.), in case of non-payment of invoices, in case of non-constitution of the financial guarantee (for final customers with annual consumption higher than 28,000 MWh)/non-payment of the advance invoice/daily invoice, in case of disagreement on the resumption by the SoLR, in case of non conclusion of the SoLR contract (when this obligation exists); - throughout the period of application of the provisions of the support scheme, the SoLR does not transmit the values of the price components for the supply of gas under the LR regime for the following calendar month (CU_ach-FUI_estimated, CU_fz-FUI_estimated, CU_tr-FUI); - by derogation, for the period of application of the provisions of the support scheme, ANRE establishes and publishes on the website the SoLR ranking in ascending order of market share for the last month, calculated by the equal weighting of the number of consumption places of final customers and the quantity of natural gas sold to

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	them. Starting from September 2022, each SoLR will be allocated one calendar month, in order of ranking; - iin the event of any of the above (i.e. FA loses supplier status, suspension of FA licence, etc.) during the period of application of the provisions of the support scheme, the consumption places will be taken over by an SoLR nominated by ANRE from the SoLRs designated on the basis of: a) the criterion of the month of allocation, b) the criterion of the takeover capacity, by verifying the fulfilment of the condition that the total number of consumption places taken over should not be higher than 30% of the number of consumption places of the final customers in their own portfolio, which ensure the supply of natural gas in a competitive regime, c) the criterion of the takeover availability; - The SoLR that has the obligation to take over, at the request of the final customer, the consumption site with an annual consumption of more than 28,000 MWh is the SoLR of the respective calendar month, established by ANRE through the SoLR Classification; - The SoLR nominated to automatically take over the consumption place with an annual consumption less than or equal to 28,000 MWh is the SoLR of the respective calendar month established by ANRE through the SoLR ranking. By exception, in the case where the supply contract has been terminated due to unilateral termination by the customer, it is taken over on request by the SoLR of the respective calendar month; - for customers with an annual consumption of more than 28,000 MWh, in case of termination of the contract with the FA/SoLR, if the final customer does not find a supplier, the customer has the right to request any SoLR among those designated by ANRE to ensure the supply under the LR regime.
Wholesale electricity/natural gas market	**Wholesale electricity/natural gas market**
ANRE Order no. 7/2021 approving the *Regulation on the organized framework for trading of standardized products on the centralized natural gas markets administered by Bursa Romana de Marfuri S.A.*: - the Regulation contains trading rules for centralised markets for short, medium and long-term products and medium and long-term flexible products. **ANRE Order no. 26/2021** amending *ANRE Order no. 65/2020 amending and supplementing certain ANRE orders:* - in application of the provisions of the *EU Regulation No 943/2019 on the internal electricity market* (concerning the over-the-counter trading of energy), the long-term supply contract has been redefined as any contract with a delivery period of one month or more (compared to one year under the previous regulation); - the above contracts are concluded in compliance with competition law and reported in accordance with the *EU Regulation on Wholesale Energy Market Integrity and Transparency (REMIT).* **ANRE Order no. 27/2021** amending and supplementing *some ANRE orders:* - In implementing the European rules on the 15-minute settlement interval, nine regulations establishing trading rules on centralised forward electricity markets have been amended, in which the reference to the *duration of one hour* is replaced by a reference to the duration of the *settlement interval*, and the duration of the settlement interval is one hour until 1 July 2021 and 15 minutes from 1 July 2021. **ANRE Order no. 33/2021** amending and supplementing *ANRE Order no. 213/2020 approving the Regulation on the calculation and settlement of imbalances of the parties responsible for balancing - single imbalance price:* - The new rules apply from 1 June 2021; - the calculation method for determining the imbalance and the payment obligations/collection rights used in the imbalance price formula is replaced by the values for	**ANRE Order no. 4/2022** amending and supplementing ANRE Order no. 143/2020 on the obligation to offer natural gas on centralized markets to natural gas producers whose annual production in the previous year exceeds 3,000,000 MWh: - the quantitative allocation for tender for each of the standardised products for the period from 1 January to 31 December 2022 has been adjusted. **ANRE Order no. 65/2022 -** for the approval of the Regulation on the organized framework for electricity contracting by large end customers - simplification of the organised electricity contracting framework for large end customers (with an annual consumption of more than 70,000 MWh) established by ANRE Order no. 55/2012: elimination of the obligation to use the framework contract, extension of market participation by accepting OTS and OD exclusively for the purchase of NL, reduction of the average power per settlement interval from 10 MW to 5 MW, the possibility for the initiator to opt for the variation of the contracted power per settlement interval with a maximum of 0.5 MW per settlement interval, minimum delivery duration of one month, elimination of the public negotiation phase. **ANRE Order no. 66/2022** - for the approval of the Methodology for determining the level of minimum natural gas stocks that holders of natural gas supply licenses are obliged to build up between April 2022 and October 2022 - the quantities of natural gas representing the minimum stocks to be stored by each supplier in the period April 2022 - October 2022 represent at least 30% of the quantity of natural gas required for the consumption of final customers in its own portfolio for the period 1 November 2022 - 31 March 2023 (reporting templates are established with the quantity broken down by each month and category of consumers and monitoring templates with the level of fulfilment of the natural gas storage obligation). **ANRE Order no. 73/2022** amending the Regulation on the organised framework for electricity contracting by large

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these exchanges received by the TSOs from the European platform; the way in which the electricity produced by generation capacities/electricity storage facilities that are in the trial period is remunerated is modified.

ANRE Order no. 37/2014 for the repeal of *the Regulation on the organization and functioning of the electricity Day-ahead Market (PZU), respecting the price coupling mechanism of the markets and amending some normative acts regulating the electricity PZU:*

- The repeal takes effect from 17 June 2021 and comes in the context of the implementation of harmonised rules at European level with a view to single day-ahead market coupling.

ANRE Order no. 30/2021 on the modification and completion of *the Methodology for the regularization of the differences between allocations and quantities of natural gas distributed approved by ANRE Order no. 16/2020:*

- The new rules apply in the balancing process of the natural gas system and regulate the situation where a distribution operator does not transmit to a network user the differences between the allocation and the quantities distributed and/or the differences between the final monthly allocation and the sum of the daily allocated quantities, as well as the specification of the weighted average price to be applied in case the distribution contract is terminated during the gas year in question.

ANRE Order no. 96/2021 amending and supplementing the *Regulation on the calculation and settlement of imbalances of balancing parties - single imbalance price*, approved by ANRE Order no. 213/2020*:*

The changes concern the following updates: the method of determining imbalance; the formulas for determining the initial deficit and surplus prices; the deadlines for the transmission by Transelectrica of preliminary and final data on the settlement of unintentional exchanges; the formulas for determining costs/revenues and the actual costs for balancing energy.

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end customers, approved by Order of the President of the National Energy Regulatory Authority no. 65/2022

- the possibility of introducing initiating offers also by the producers participating in the market.
- deletion of the clarification that large end-use customers of electricity include transmission system operators and distribution system operators that purchase electricity individually or in aggregation to cover their own technological consumption, they can participate in the market as end-use customers.

ANRE Order no. 72/2022 approving the Regulation on natural gas storage in the natural gas transmission system

- The regulation covers: the methods of natural gas storage (storage of natural gas in the natural gas transmission system, in the natural gas transmission pipeline, in ring pressure distribution systems and in above ground metallic tanks), the calculation of the energy of natural gas in the transmission pipelines related to ST and the monitoring of ST.

ANRE Order no. 79/2022 - for the approval of the Regulation for the organization and functioning of the forward electricity contracts market, organized by Bursa Romana de Marfuri - S.A.

- establishes the organized framework for electricity trading on the forward electricity contracts market, through electronic trading platforms managed by Bursa Romana de Marfuri - S.A. (simple competitive trading mechanism - for the launch of trading of the standard product, the participant submits to the BRM an initiating order, double competitive trading mechanism - the launch of trading of the standard products is also initiated by the BRM so that there are available for trading at any time consecutive forward contracts for: the first 6 calendar months, the first 5 calendar quarters, the first 3 calendar semesters, the first 2 calendar years).

ANRE Order no. 92/2022 - amending and supplementing the Regulation on the calculation and settlement of imbalances of balancing parties - single imbalance price, approved by Order of the President of the National Energy Regulatory Authority no. 213/2020, and amending some orders of the President of the National Energy Regulatory Authority

- redistribution has been reintroduced, i.e. the rules for calculating the additional costs/revenues from balancing the system, how to allocate their value to each balancing party (PRE) and issues related to the information note on settlement, billing and payments are provided.
- reduction from 6 months to 2 months of the period in which the participant can request, with a reasoned justification, the correction of the settlement, from the posting on the dedicated IT platform of the information note for settlement, which will lead to an increase in the degree of accountability of the participants in the balancing market.

ANRE Order no. 117/2022 - Order for the approval of the Regulation for the organization and functioning of the forward electricity contracts market, organized by Bursa Romana de Marfuri - S.A.

- The Regulation establishes the framework for the trading of electricity on the electricity futures market, through electronic trading platforms managed by the Romanian Commodities Exchange Company - S.A.
- BRM organizes trading sessions for standard products in terms of the following features: daily delivery profile (in-band delivery, peak load delivery, off-peak load delivery), average power per contract settlement interval of 0.1 MW or multiple of 0.1 MW, electricity delivery period (multiple of day, 1 week, balance of the month - i.e. the period made up of the remaining delivery days within a calendar month in progress, starting on the second calendar day following the day of the conclusion of a transaction, 1 month, 1 quarter, 1 semester, 1 calendar year).
- Repeals ANRE Order No 79/2022

ANRE Order no. 121/2022 - Order amending some orders of the President of the National Energy Regulatory Authority on the electricity market

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	- modification of ANRE Order no. 127/2021 by: changing the deadline for the application of the Order from 1 October 2022 to 1 October 2023; extending the deadline for changing the configuration of the existing PE platform, as required by the Regulation on terms and conditions for balancing service providers and frequency stabilisation reserve providers, from 9 months to 1 year and 6 months; deletion of some definitions (RFP, DO connector and adjustment required) and deletion of the term daily offer and replacement with balancing energy offer; modification of the parameters of the variable characteristics of the balancing energy offer for the standard RRFm product; replacement of the term system services with balancing services; - amendment of ANRE Order No 128/2021 by extending the application deadline from 1 October 2022 to 1 October 2023. **ANRE Order no. 134/2022** - Order for the approval of the General Rules on organised electricity forward markets - the general rules on organised forward electricity markets are approved. The organised forward electricity market comprises the following segments: standardised forward products market, flexible forward products market, electricity derivatives market settled by physical delivery. - electricity market operators shall draw up/update their own specific regulations for the organisation and management of the markets and submit them to ANRE for approval within 90 days from the date of entry into force of this Order. **ANRE Order no. 138/2022** - Order supplementing the Order of the President of the National Energy Regulatory Authority no. 143/2020 on the obligation to offer natural gas on centralized markets to natural gas producers whose annual production in the previous year exceeds 3,000,000 MWh - ANRE Order no. 143/2020 is supplemented: with the periods for which the quantities of natural gas are determined, namely 1 January 2023 - 31 December 2023 and 1 January 2024 - 31 December 2024; with clarifications on the application of the provisions of Article 12 of GEO no. 27/2022, in accordance with Annex no. 5 thereto. The quantitative share allocated for tendering purposes for each of the products is as follows (for the period 1 January 2023 - 31 December 2023): Clu = 35%, Ctrim = 20%, Csem = 5%, Csez = 25%, Can = 15%.
Renewable energy sources, green certificates, prosumers	**Renewable energy sources. green certificates. Consumers**
ANRE Order no. 9/2021 on the establishment of the mandatory green certificates purchase quota for 2020: - The quota was set at 0.45074 hp/MWh (compared to 0.45061 hp/MWh estimated quota for 2020 and 0.433548 hp/MWh mandatory quota for 2019). **ANRE Order no. 15/2021** approving the *Procedure for the connection to the public interest electricity networks of consumption and production sites belonging to prosumers owning renewable energy production plants with an installed capacity of 100 kW or less per consumption site*: - the regulation is relevant for the electricity supplier as he can carry out, on behalf of the consumer, the procedures related to the connection, i.e. the transmission of the connection request, the transmission of the notification of the connection work to the distribution operator, the transmission of the request for the certification of the quality of prosumer. **ANRE Order no. 50/2021** for the approval of *the rules for the marketing of electricity produced in renewable energy power plants with an installed electrical power of up to 100 kW belonging to prosumers:* - The new rules are applicable from 1 July 2021; - it is introduced, compared to the previous division into individual consumers and corporate consumers, the division into individual consumers with max. 27 kW installed capacity, respectively individual consumers over	**ANRE Order no. 14/2022** on the establishment of the mandatory green certificates purchase quota for 2021: - the mandatory quota for 2021 has been set at 0.449792 hp/MWh (compared to 0.4505 hp/MWh estimated quota for 2021 and 0.45074 hp/MWh mandatory quota for 2020). **ANRE Order no. 15/2022** for the approval of the Methodology for establishing the rules for the marketing of electricity produced in power plants from renewable sources with an installed electrical power not exceeding 400 kW per place of consumption belonging to prosumer: - shall enter into force on 1 May 2022 and repeals ANRE Order no. 50/2021 approving the rules for the trading of electricity produced in power plants from renewable sources with an installed electrical power of up to 100 kW belonging to prosumers - suppliers must notify prosumers with whom they already have contracts (with P<100kW) about the change in the applicable legal framework and the possibility to benefit from the quantitative compensation mechanism on request; at the request of prosumers, suppliers must send signed contracts within 10 days; - for the application on demand of the quantitative compensation mechanism, the installed electrical power of the power plant producing electricity from renewable sources shall not exceed 200 kW per place of consumption; the quantitative compensation shall be

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27 kW and max. 100 kW and corporate consumers max. 100 kW, in the application of the provisions concerning: determination of the quantity of electricity that benefits from the special applicable price, transmission of measurement data by invoice or according to the sale-purchase contract concluded with the supplier and regularization in the invoice or between invoices.

ANRE Order no. 52/2021 approving *the Methodology for monitoring the system for the promotion of electricity production from renewable energy sources:*

- The new Methodology is applicable from 1 July 2021;
- is taken over from the *Rules for the trading of electricity produced by prosumers* and supplemented, both in terms of transmission methods and content, the obligation of suppliers to submit monthly to ANRE information on sale-purchase contracts concluded with prosumers.

ANRE Order no. 131/2021 on the establishment of the estimated mandatory quota for the purchase of green certificates for 2022:

- estimated quota value - 0.5014313 green certificates/MWh (compared to 0.4505 green certificates/MWh estimated quota for 2021)

ANRE Order no. 117/2021 approving the rules for reducing the estimated average annual impact of green certificates (GC) in the final electricity consumer's bill:

- the calculation algorithm aims at maintaining the average impact of CV in the final consumer bill at the legally foreseen value of 14,5 euro/MWh, as long as the CV surplus in the CV market is percentage higher or remains at the average value registered in the last 3 years. If the CV surplus in the CV market, expressed as a percentage, falls below the average value over the last 3 years, the average impact of CV in the final consumer bill will be reduced.

ANRE Order no. 137/2021 approving the *Procedure for the determination of the available capacity in the electricity networks for the connection of new electricity generation facilities*:

- This initiative was initiated in the context of the objectives assumed at European level through the European Green Deal and the „Fit for 55" package, to which Romania must align itself and which requires, inter alia, the construction of new electricity production facilities. It is therefore necessary to determine, in particular if no reinforcements are made to the electricity grids, the capacity available in the electricity grids;
- are established: rules for determining the available capacities in the transmission and distribution systems at 110 kV voltage level; rules for the transparent and regular publication by the transmission system operator of data on available capacities in the transmission and distribution systems at 110 kV voltage level; deadlines and frequency of publication of data on available capacities by system operators (i.i.e. monthly from 1 April 2022; bimonthly from 1 July 2022; weekly from 1 October 2022).
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made at the price of active electricity, and any surplus shall be carried forward for a maximum of 24 months - after this period, the unused quantity shall enter into the financial regularization process.

- for the application on demand of the financial regularization mechanism, the installed electrical power of the power plant producing electricity from renewable sources is more than 200 kW, but not more than 400 kW per consumption site; for financial compensation, the reference is the weighted average price recorded on the market for the following day for the month in which the electricity in question was produced and delivered.

ANRE Order no. 90/2022- on the modification and completion of the Order of the President of the National Energy Regulatory Authority no. 52/2021 for the approval of the Monitoring Methodology of the system for the promotion of electricity production from renewable energy sources

- determines the mode, format and frequency of data reporting: information on electricity sale-purchase contracts concluded with prosumers owning renewable energy power plants, i.e. the amount of electricity benefiting from quantitative compensation (Pi< 200 kW), information on electricity sale-purchase contracts concluded with prosumers owning renewable energy power plants, i.e. the quantity of electricity benefiting from financial balancing (Pi 200 kW and 400 kW), information on directly negotiated bilateral electricity sale-purchase contracts concluded with prosumers.

ANRE Order no. 94/2022 - amending some orders of the President of the National Energy Regulatory Authority in the field of promotion of electricity from renewable energy sources

- modification of the threshold of installed electric power in power plants from renewable energy sources belonging to prosumers, from 100 kW to 400 kW per consumption place (modification of ANRE Order no. 179/2018)
- amend the Regulation on the organization and functioning of the green certificates market - ANRE Order no. 77/2017, in order to specify the two main categories of economic operators participating in the green certificates market, accredited producers of electricity from renewable energy sources and economic operators with the obligation to purchase green certificates.

ANRE Order no. 95/2022 - amending and supplementing the Order of the President of the National Energy Regulatory Authority no. 15/2022 approving the Methodology for establishing the rules for the sale of electricity produced in power plants from renewable sources with an installed electrical power of no more than 400 kW per place of consumption belonging to prosumers

- amends ANRE Order no. 15/2022 in order to clarify the average purchase price of energy produced and delivered by consumers, in accordance with the provisions of GEO 27/2022, with subsequent amendments and additions, the billing method and the elements highlighted in the invoices;
- for energy consumed by consumers as customers, we have clarifications regarding the final price charged;
- for the sale-purchase contract of electricity produced in renewable energy power plants with an installed electrical capacity of not more than 200 kW per place of consumption and delivered to the electricity grid - the contract price is the price of active electricity used by the electricity supplier in the supply contract concluded with the consumer as a consumer, during the billing period, established according to the methodology;
- for the sale-purchase contract of electricity produced in power plants from renewable energy sources with an installed electrical power of more than 200 kW, but not more than 400 kW per consumption site and delivered to the electricity grid - the contract price is equal to the weighted average price recorded on the market for the following day in the month in which the electricity was

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	produced and delivered to the electricity grid, published by OPCOM.

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ANRE Order no. 96/2022 - for the approval of the Methodology for establishing the mandatory annual quota for the purchase of green certificates
- methodology establishes: how to calculate the estimated annual mandatory quota of green certificates for the following year, how to calculate the number of green certificates for the non-fulfilment of the estimated annual mandatory quota of green certificates, for each quarter of analysis, by economic operators with the obligation to purchase green certificates, how to calculate the mandatory annual quota of green certificates for the analysis year, how to calculate the number of green certificates related to the non-fulfilment of the mandatory quota of green certificates for the analysis year by economic operators with green certificate purchasing obligation.
- provisions have been introduced to exempt from the legal quarterly and annual obligation to purchase green certificates for prosumers and producers who own renewable electricity production units
- increasing the period for reporting errors in reporting the quantities of electricity billed/supplied from 15 working days to 18 working days from the date of the decision.

ANRE Order no. 118/2022 - Order amending and supplementing the Methodology for establishing the mandatory annual quota for the purchase of green certificates, approved by Order of the President of the National Energy Regulatory Authority no. 96/2022
- provisions have been introduced exempting from the quarterly and annual legal obligation to purchase green certificates prosumers and producers who own renewable electricity production units for their own final consumption, supplied at the place of production from renewable electricity production;
- the way of collecting the data needed to establish the estimated annual mandatory green certificate purchase quota/annual mandatory green certificate purchase quota and the degree of non-compliance with the legal quarterly/annual green certificate purchase obligations has been specified, with the establishment of reporting templates applicable in general, but also with the establishment of specific reporting templates for the third quarter of the 2022 analysis year and for the 2022 analysis year.

ANRE Order no. 141/2022 - Order on the establishment of the estimated mandatory quota for the purchase of green certificates for 2023
- the estimated mandatory green certificates purchase fee for economic operators who have the obligation to purchase green certificates for the year 2023 is set at 0.4943963 green certificates/MWh.

Regulated tariffs and other taxes/fees (2022)

ANRE Order no. 10/2021 amending ANRE Order no. 214/2020 approving *the average tariff for the transmission service, the components of the transmission tariff for the introduction of electricity into the grid (TG) and for the extraction of electricity from the grid (TL), the tariff for the system service and the regulated price for reactive electricity, charged by Transelectrica S.A.:*
- the new tariff values are applicable from 1 March 2021;
- transmission tariff - component of electricity feed-in - T_G = 1.3 RON/MWh (same level as above);
- transmission tariff - component of electricity extraction from the grid - T_L = 19.22 RON/MWh (same level as above);
- system service charge = 10.82 RON/MWh (9.5% reduction from previous level).

ANRE Order no. 21/2021 repealing ANRE Order no. 14/2019 approving *the Methodology for setting regulated tariffs for the provision of underground gas storage services*:
- The order aims to implement the amendments made in 2020 to the *Electricity and Natural Gas Law no. 123/2012,*

Regulated tariffs and other taxes/fees (2023)

ANRE Orders no. 27 - 31/2022 - for the modification of the Annex to ANRE Orders no. 118 - 123/2021 on the approval of the specific tariffs for the electricity distribution service and the price for reactive electricity, for Delgaz Grid - S.A/ Societatea Distributie Energie Electrica Romania - S.A/ Societatea Distributie Energie Oltenia - S.A/Societatea E-Distributie Banat - S.A/Societatea E-Distributie Dobrogea - S.A./Societatea E-Distributie Muntenia - S.A.
- The new tariffs are applicable from 1 April 2022;
- Low voltage tariffs for Electrica Romania Energy Distribution are 17%- 25% higher than in the first quarter of 2022 (there were increases for all categories, respectively the lowest of 9.1% at IT - Transilvania Nord and the highest of 30.2% at MT-Muntenia Nord).

ANRE Order no. 33/2022- for the modification of Annex no. 1 to the Order of the President of the National Energy Regulatory Authority no. 124/2021 on the approval of the average tariff for the electricity transmission service, the components of the transmission tariff for the introduction

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with subsequent amendments and additions, according to which, after the 2020-2021 extraction cycle, natural gas storage will no longer be a regulated activity;
- Therefore, as of 1 April 2021, tariffs for underground gas storage service are no longer regulated by ANRE, but set by storage operators, and access to storage facilities (i.e. the related conditions) will be negotiated between storage operators and users.

ANRE Order no. 111/2021 amending ANRE Order no. 123/2017 approving the contribution for high efficiency cogeneration:
- The new contribution, valid from 1 November 2021, is reflected in the final price of electricity and is approximately 50% higher than the previously applicable amount (i.e. 0.02554 lei/kWh from 0.01712 lei/kWh).

ANRE Orders no. 118-123/2021 approving the specific tariffs for the electricity distribution service and the price for reactive electricity:
- The new tariffs are applicable from 1 January 2022;
- Low voltage tariffs for Distributie Energie Electrica Romania are 10% to 14% higher than in 2021.

ANRE Order no. 124/2021 approving the average tariff for the electricity transmission service, the components of the transmission tariff for the introduction of electricity into the grid (T_G) and for the extraction of electricity from the grid (T_L), the tariff for the system service and the regulated price for reactive electricity, charged by Transelectrica:
- the new values are applicable from 1 January 2022;
- the average tariff for electricity transmission service is up 16.6% compared to 2021.

ANRE Order no. 143/2021 approving the tariffs and financial contributions charged by the National Energy Regulatory Authority in 2022:
- the amount of the annual contribution for supply licensees will be 0.1% of turnover for electricity (compared to 0.2% in 2021), respectively 0.056 lei/MWH for natural gas;
- in the context of the application of the support schemes for customers to pay energy bills, approved by GEO no. 118/2021, approved with amendments and additions by Law no. 259/2021, clarifications are provided regarding the determination of turnover as the basis for calculating the financial contribution due to ANRE, namely the net turnover, without including the value of green certificates and the value of the cogeneration contribution invoiced to final customers.

of electricity into the grid (TG) and for the extraction of electricity from the grid (TL), the tariff for the system service and the regulated price for reactive electricity, charged by the National Electricity Transmission Company "Transelectrica" - S.A.
- the new tariffs are applicable from 1 April 2022; the average tariff for the electricity transmission service is higher by 17.3%, the transmission tariff - the component for feeding electricity into the grid is higher by 69.8% (TG is - 2.53 RON/MWh), the transmission tariff - the component for withdrawing electricity from the grid is higher by 13.8% (TL is - 25.57 RON/MWh) compared to the first quarter of 2022.

ANRE Order no. 67/2022 - on the application in April 2022 of the provisions of Article 23 of the Methodology for determining and monitoring the contribution for high-efficiency cogeneration, approved by the Order of the President of the National Energy Regulatory Authority no. 117/2013
- During April 2022, ANRE shall analyse the amount of the contribution for cogeneration, and if it varies by more than +/- 2.5% compared to the value in force, by 30 April 2022, the new value of the contribution for 2022 shall be approved by ANRE order.

ANRE Order no. 69/2022 amending the Order of the President of the National Energy Regulatory Authority no. 123/2017 on the approval of the contribution for efficient cogeneration and of some provisions on its billing
- Starting from 1 May, the contribution for efficient cogeneration is 0.02044 RON/kWh, excluding VAT.

ANRE Order no. 130/2022 - Order amending the Order of the President of the National Energy Regulatory Authority no. 123/2017 on the approval of the contribution for efficient cogeneration and of some provisions on its billing
- Starting from 1 November 2022, the contribution for efficient cogeneration is 0.00333 RON/kWh, excluding VAT, with a percentage decrease of 83% compared to the previous value, i.e. a decrease of 0.01711 RON/KWh.

ANRE Order no. 140/2022 - Order approving the tariffs and financial contributions charged by the National Energy Regulatory Authority in 2023
- for the holders of the electricity supply license, the annual bonus contribution is established on the basis of a percentage rate of 0.1% applied to the turnover achieved by them in 2022 from the commercial activities covered by the electricity supply license, but not less than RON 3,125. The basis for calculating the financial contribution levied by ANRE is the net turnover, defined and calculated in accordance with the accounting regulations in force, which includes the revenues recorded from the activity of electricity supply - including those corresponding to green certificates and the contribution of efficient cogeneration, to which is added the revenues recorded from the application of the measures of the compensation scheme for electricity consumption and those related to the compensation granted for the implementation of the measures applicable to final customers in the electricity market.
- the annual tariff for carrying out activities in the natural gas sector on the basis of a license - Supply of natural gas is 0.168 RON/MWh.

ANRE Order no. 139/2022 - Order approving the tariffs charged by the Designated Electricity Market Operator
- the tariffs charged by OPCOM for the services rendered for the performance of activities in 2023 are approved: Management tariff - category A participants - 21,574 RON/participant/year, Management tariff - category B participants – 35,956 RON/participant/year, Trading tariff - 0.48 RON/MWh.

ANRE Order no. 142/2022 - Order amending the Order of the President of the National Energy Regulatory Authority no. 123/2017 on the approval of the contribution for efficient cogeneration and of some provisions on its billing.
- from 1 January 2023 the contribution for efficient

2022	2023
	cogeneration is approved at the amount of 0.00 RON/kWh. **ANRE Order no. 144/2022** - Order approving the tariff for the acquisition of system services for the transmission and system operator National Power Transmission Company "Transelectrica" - S.A. - the tariff for the purchase of system services charged by the National Power Transmission Company "Transelectrica" - S.A., valid from 1 January 2023 is 7.73 RON/MWh.
Investigations on the energy market	**Investigations on the energy market**
ANRE Order no. 22/2021 amending and supplementing the *Regulation on the organization and conduct of energy investigation activities regarding the functioning of the wholesale energy market, approved by ANRE Order no. 25/2017:* - the amendments to the Regulation concern, among other things, the procedure for resolving complaints/submissions, the provision of data, information and documents requested by ANRE, the rights of members of the investigation team in relation to market participants.	**ANRE Order no. 143/2022** - Order amending and supplementing the Regulation for the detection, notification and sanctioning of violations of regulations issued in the field of energy applicable to the control activities carried out by the National Energy Regulatory Authority, approved by the Order of the President of the National Energy Regulatory Authority no. 62/2013 - inspection control actions are carried out on the basis of the annual control programme, unannounced control action is carried out without prior notification of the persons, etc.
Authorisations and licences **ANRE Order no. 24/2021** amending and supplementing *some ANRE orders*: - amendments to the Conditions of validity associated with the natural gas supply licence were approved: e.g. obligation to notify ANRE, within 5 working days, for any changes in the name, registered office or contact details; elimination of the obligation to notify ANRE on decisions to change/constitute/disband the main or secondary office(s), single points of contact, regional/local information points; completion of the methods of communication with or transmission of information to ANRE (e.g. including magnetic support - CD/DVD/memory stick transmitted/displayed at ANRE's registry; by uploading on ANRE's website, etc.). **ANRE Order no. 42/2021** on the approval of *the framework conditions of validity associated with the license for the activity of natural gas trader*: - the rights and obligations of the holders of the natural gas trader license are established, with the mention that the trader license is absolutely necessary only in case of carrying out this activity exclusively, otherwise, the natural gas supply license also allows the carrying out of the trading activity. **ANRE Orders no. 103 and 112 of 2021** amending and supplementing the *Regulation on the granting of establishment authorizations and licenses in the natural gas sector* (approved by ANRE Order no. 199/2020): - the procedure for withdrawing a licence on request is modified in order to make it easier (i.e. reasoned request and confirmation of fulfilment of obligations to ANRE, plus, for the gas supply licence, no longer carrying out the activity of supplying natural gas at the time of submitting the request). As regards the supply licence, the possibility of withdrawing the licence on request becomes practically inoperable. **ANRE Order no. 115/2021** on the amendment of *the Regulation for granting licenses and authorizations in the electricity sector* (approved by ANRE Order no. 12/2015): - the procedure for the withdrawal of the license at the initiative of the licensee is made more difficult by making it conditional, in addition to the confirmation of the fulfilment of the obligations to ANRE, on the requirement that the applicant holding a license for the electricity supply activity no longer carries out the electricity supply activity for which it holds the license at the time of the application; - is completed, inter alia, the documentation to be submitted by the applicant for a licence for the aggregation activity (e.g. with the description of the business he will carry out	

2022	2023
under the licence, including reference to the electricity market(s) in which he intends to participate).	

Smart metering systems (SMI) for electricity

ANRE Order no. 94/2021 on the amendment and completion of *the Framework Conditions for the implementation schedule of smart metering systems at national level* approved by ANRE Order no. 177/2018 and on the amendment of ANRE Order no. 88/2015 for the approval of *the framework contracts for the supply of electricity to household and non-household customers of suppliers of last resort, of the general conditions for the supply of electricity to final customers of suppliers of last resort, of the model electricity bill and the model electricity consumption agreement, used by suppliers of last resort*:

- The amendments and additions with an impact on the activity of suppliers, applicable from 1 January 2022, concern the following aspects: the processing of personal data, collected and transited through the SMI (i.e. on the basis of the customer's consent, the obtaining of which is the obligation of the supplier for contracts with included regulated services); informing users about the integration of the place of consumption in the SMI (which, for SoLR customers will be carried out by the SoLR by sending an annex, part of the supply contract); billing of energy at the place of consumption/production and consumption integrated into the SMI (which, for SoLR customers, will be carried out by the SoLR exclusively on the basis of data recorded by the SMI, with one exception); billing of the energy distribution service for places of consumption registered in the SMI (which will be carried out exclusively on the basis of measurement data recorded by the SMI).

Unbundling in the gas sector

ANRE Order no. 93/2021 amending the *Regulation on the accounting separation of activities carried out by natural gas licensees* approved by ANRE Order no. 21/2020:

- of interest are the provisions relating to the activity of last resort supply of natural gas (unregulated activity under the current ANRE regulations, in force from 2020), in relation to which the obligation to keep separate accounting records and to submit related reports to ANRE is conditional on its realization at regulated prices.

A.3.2. Changes to the legal framework in 2022/2023 up to the date of approval of the financial statements

The following are the relevant legislative changes that took place at Group level in the period between the end of the financial year 2021 and the date of the published report, respectively in the period between the end of the financial year 2022 and the date of this report.

A.3.2.1. Distribution segment

2022	2023
	Regulations regarding tariffs: **ANRE Order no. 6/2023 for completing the Procedure regarding the substantiation and approval of TSO and DSO investment plans, approved by ANRE Order no. 98/2022 -** effective from 13 February 2023 The amendment proposals consider the recognition of DO investments in energy storage and production for internal consumption from stations and NL: - the inclusion in the category of justifiable investments of energy production facilities from renewable sources for NL supply and internal consumption from the stations; - the inclusion of electricity storage facilities in the category of necessary investments; - the possibility for DO to own storage facilities, by way of exception from the provisions of the Energy Law (art. 46^1 par. (1)), only with prior approval by ANRE; - establishing the method of calculating the economic efficiency of investments in production/storage, with a view to recognition by ANRE (Annex no. 8). **ANRE order no. 1/2023 for the modification and completion of some orders of the president of the National Energy Regulatory Authority** effective from 17 January 2023 - Methodology for the evaluation of investments in projects of common interest (PCI) approved by ANRE Order no. 139/2015 is amended as follows: o expanding the scope of the Methodology for DO investments (in addition to TSOs) o granting a 1% RRR incentive for PCI o expanding the scope of the type of PCI from electrical transmission networks, to: a) electrical electrical transmission and distribution networks; b) offshore networks for energy from renewable sources; c) projects that integrate innovative technical solutions and that, although they have low capital costs, involve significant operating costs. - The methodology for establishing the distribution tariffs - is modified and provides for the granting of the RRR incentive of 2% for investments from EU funds only if they have not benefited from the PCI incentive - The project was developed as a result of ANRE's obligation to present to ACER, until 24 January 2023, the methodology and criteria used for the evaluation of investments, in the sense of alignment with Regulation (EU) 2022/869: - energy infrastructure projects and high risk assessment - the specific risks to which offshore networks for energy from renewable sources are exposed **Draft Order regarding the modification and completion of ANRE orders -** public consultation - Energy technical norm regarding the determination of own technological consumption in public interest electric networks - NTE 013/16/00, approved by ANRE Order no. 26/2016 - it is stipulated that the determination of the quotas assigned to the producers and the transport operator from the amount of NL related to the additional transit of electricity from the 110 kV electrical networks, should be carried out by the DSO

2022	2023
	- The methodology for establishing tariffs for the electricity distribution service, approved by ANRE Order no. 169/2018 - DSO recovers from the TSO the counter value of the amount of NL related to the additional transit of electricity, for the quotas assigned to producers and TSOs. - the amount of NL related to the additional transit of electricity from the 110 kV electrical networks, determined according to ANRE regulations, is taken into account in the annual correction of the regulated NL at the request of the operator, by reducing the amount of NL realized. - the revenues recorded from the recovery from the TSO of the counter value of the amount of NL related to the additional transit of electricity from the 110 kV electrical networks are not taken into account when determining the corrections of the regulated income. - The methodology for establishing tariffs for the electricity transmission service, approved by ANRE Order no. 171/2019 - the costs recorded in the year t-2 corresponding to the amount of NL related to the additional transit of electricity from the 110 kV electrical networks of the DSO, for the quotas assigned to the producers and TSOs, are included in the regulated income of the year t of the TSO. - TSO will recover through Tg the costs related to the quotas assigned to the producers from the stipulated costs. **Technical regulations - Network connection** **ANRE Order no. 3/2023 regarding the approval of the Technical Norm "Technical requirements for connection to public interest electrical networks for electricity storage facilities and the notification procedure for connecting electricity storage facilities" -** effective from 20 March 2023 The norm was developed by the TSO, it establishes technical requirements for connected storage facilities: - individually to the public electricity network, classified in categories A, B, C and D similarly to electricity production facilities; - within the electricity production sites; - within the places of electricity consumption. **ANRE Order no. 4/2023 for the modification and completion of some orders of the president of the National Energy Regulatory Authority in the field of connecting users to the public interest electrical network -** effective from 3 February 2023 the modification and completion of the following regulations, in the sense of including the possibility for household customers, PFA, individual businesses, family businesses and public institutions whose places of consumption are connected to LV, as well as prosumers, to purchase the measuring group or the fully equipped protection and measuring block, including the meter in compliance with the technical specifications made available by DSO/TSO: Connection Regulation - The procedure regarding the connection to LV networks of household customers - ANRE Order no. 18/2022 - Connection framework contracts - ANRE Order no. 105/2022 - The procedure regarding the connection to the networks of prosumers - ANRE Order no. 19/2022 The DSO/TSO is obliged to reimburse the user the value of these equipments at the terms established in the connection contracts; reimbursement is made on the basis of supporting documents presented by the user, without being limited to: tax invoice, compliance certificates, warranty certificates, etc. - the obligation of the DSO to install the meter is maintained, the deadlines in force stipulated in the connection contracts being maintained. **Draft order for the amendment and completion of ANRE President's Order no. 239/2019 for the approval of the Technical Technical Norm regarding the delimitation of protection and safety zones related to energy capacities -** public consultation

2022	2023
	- clarifications regarding the use of the formula for calculating the size of the safety zone Z(sig), established in point 2.3 of Annex no. 6 from Norm; - the restriction regarding the application of the provisions of the Norm in the regulated passage corridor of the LEA, respectively in the area located between the limit of the safety zone and the limit of the regulated passage corridor, and their application only in the safety zone of the LEA, whose width is calculated with formula from point 2.3 of Annex no. 6 from Norm; - the conditions under which the risk analysis will be required were specified, depending on the positioning of the objectives in relation to the safety zone and respectively in the area located between the limit of the safety zone and the limit of the standard passageway; - provisions were established regarding the placement of photovoltaic panels on the roof of buildings. **Draft Order regarding the modification and completion of the Methodology for data exchange between the transport operator and the system, distribution operators and significant network users approved by ANRE Order no. 233/2019 –** public consultation - the introduction of electricity storage facilities connected individually to the electrical network, with a response in providing active power distinctly from electricity production facilities; - detailing the relevant system users who are the subject of information transmission to DO and TSO; - detailing the method of transmitting data from relevant system users, directly and indirectly, to DO and TSO. - In addition to the draft order from phase I and in accordance with the provisions of the norm for connecting storage facilities, it is necessary to specify: o communication path, redundancy and data exchange for storage facilities. These storage facilities can be linked to the electricity production facility or can be operated independently. o how the scheduled and planned data exchange is carried out until the provisions of ANRE Order no. 127/2021, with subsequent amendments and additions. **Draft Order for the amendment and completion of ANRE Order no. 102/2015 for the approval of the Regulation on the establishment of solutions for connecting users to electric networks of public interest -** public consultation - addition to the list of situations in which the connection solution is determined by the solution sheet: o of consumption places owned by authorized natural person users, individual businesses, family businesses and public institutions that connect to the low voltage network, regardless of the requested power; o of the places of consumption and production belonging to prosumers who own electricity production units from renewable sources with an installed power of no more than 400 kW per place of consumption; o of the local public authorities that have the capacity to produce electricity from renewable sources made, partially or totally, from structural funds, and that benefit from the suppliers with whom they have an electricity supply contract, on request, from the financial regularization service . - the introduction of the provision according to which the solution study must also contain connection options with the operational limitation of the maximum power that can be discharged into the network in the situations/operation regimes with N-1 elements in operation that have the effect of overloading the network and, consequently, the impossibility of the network elements remaining in operation and of the network as a whole to function for an unlimited time under these conditions. - the introduction of the provision according to which in the solution sheet or, as the case may be, in the solution study, it must be highlighted whether in the connection solution electrical networks were considered for which strengthening works were executed or are being executed

2022	2023
	to create the technical conditions necessary to connect several production/consumption and production sites (general strengthening works), financed by users who benefit from the same strengthening works and whose utility installations are energized before the user's own utility installations. It is also provided that, in this case, the data on which the participation quotas due to the users who financed the strengthening works are calculated are to be specified in the solution sheet or, as the case may be, in the solution study. - elimination of the phrase dispatchable/non-dispatchable with regard to generating units/power plants considering the provisions of ANRE Order no. 127/2021. **Draft Order for the modification and completion of the Methodology for establishing user connection rates to public interest electrical networks, approved by ANRE Order no. 11/2014 –** public consultation - completion of the list of normative acts, with ANRE Order no. 105/2022, where the two types of strengthening works are defined: specific and general; - if general strengthening works are needed to connect a production site or a consumption and production site, the calculation method currently provided in the Methodology is maintained. Thus, the users will bear the costs of the general strengthening works established on the basis of the general estimate, but no more than a calculation value, established taking into account the power approved for discharge into the network for the respective place of production/consumption and production, as well as the specific rates approved by ANRE. **Draft order for the amendment and completion of ANRE Order no. 95/2018 regarding the approval of the mandatory clauses in the contracts for the provision of services in order to carry out the connection works to the electric grids of public interest -** public consultation - the proposed amendment refers to the price that DSO/TSO pays to the economic operator certified by ANRE for the provision of services for connection works to public interest electrical networks; - the provision according to which the price of the contract, initially estimated, is fixed is replaced by a provision that orders the updating of this price, corresponding to the effective consideration of the services performed for the realization of the connection installation. The price of the contract, initially estimated, represents the costs for making the connection installation established by the DSO/TSO through the connection tariff or, if the contract is concluded by the DSO/TSO with a specific designer and/or certified builder, chosen by the user, the price is the agreed following the negotiation between the economic operator and the user. - the price update will be carried out through an addendum to the contract. - it is proposed to include a provision according to which the provisions of the order should apply including to users for whom, on the date of entry into force of the order, DSO/TSO have concluded contracts for the provision of services in order to carry out connection works to the public interest electrical networks, but for which the installations connection were not put into operation.

2022	2023

Licenses

Draft Order regarding the approval of the Regulation for the authorization of electricians in the field of electrical installations, respectively of project verifiers and quality technical and extrajudicial experts in the field of technological electrical installations – public consultation

- the proof of the qualifications of an authorized electrician in the field of electrical installations, an authorized project verifier or a quality technical expert and authorized extrajudicial in the field of technological electrical installations will be achieved by the issuance by the competent authority of an identity document, a nominal and non-transferable document;
- the method of submission of documents by applicants will be realized by uploading them on the ANRE portal or in the PCUe platform and eliminating the possibility of submitting them directly to the ANRE registry or by post;
- modification of the procedure for organizing the examination for the authorization of electricians, respectively the interview for the authorization of project verifiers, as well as quality technical and extrajudicial experts in the field of technological electrical installations;
- it is proposed to facilitate obtaining the qualification of licensed electrician, by completing the list of acceptable professional qualifications (CPA) with a new qualification (CPA 4.1) which is applicable to qualified workers in the field of energy, electrotechnical, electromechanical or electrical installations for constructions, having also the diploma baccalaureate in a field other than these.

Commercial Regulations

ANRE Order no. 5/2023 for the approval of the Regulation for the supply of electricity to final customers - effective from 6 February 2023

- the need to correlate the provisions of the Electricity Supply Regulation to final customers with the provisions of Law no. 123/2012 of electricity and natural gas, as amended and supplemented by GEO no. 143/2021, and Annex 1 to Directive (EU) 2019/944.
- elimination of the provisions that refer to the activity of the DO in the relationship with the supplier and its obligations regarding its own activity
- detailing the way in which DO ensures unrestricted, free and guaranteed access to the information in the database regarding the places of consumption connected to the electrical distribution network in the license area;
- the introduction of the notion of an active client, the quality of an active client is certified, by the DSO/TSO, for:
- participation in flexibility or energy efficiency programs, to which the customer's place of consumption is connected;
- the production of electricity, by the DSO/TSO to which the place of consumption and production is connected;
- elimination of the obligation to conclude the consumption agreement by the customer at the conclusion of the electricity supply contract;
- the customer's possibility to ask the supplier to change the monthly values from the consumption agreement for a determined period, these being applied by the DO and the supplier starting with the 1st of the month following the one in which he received the new values;
- the consumption data from the consumption agreement can be modified by the DO at any time during the execution of the electricity supply contract, including the data from the consumption agreement modified by the customer, in order to adapt to the actual consumption achieved;
- DO has the obligation to verify the necessity of changing the data related to the consumption convention with the same frequency with which the reading of the index of the measurement group takes place. If the DO modifies the data in the consumption agreement, it transmits the modified values to the supplier;

2022	2023
	- the introduction of the obligation of the DO to ensure the reading of the index of the measurement group at a time interval of maximum 3 months in the case of places of consumption belonging to household customers, except for those integrated in the SMI; - in the event that the DO has not performed the reading within the time frame established by the legal provisions in force, in order to issue the regularization invoice, the latest self-read index and communicated by the client is used after the most recent index read and communicated by the DO. The regularization period cannot be longer than 3 years; - elimination of the conditions for concluding the distribution contract directly by the end customer; specifying that the conclusion of the distribution contract must be carried out by the final customer with the DO only if the place of consumption has several suppliers at the same time or is the subject of participation in the aggregation by an independent aggregator; **ANRE Order no. 13/2023 for approval the contract - framework for the provision of electricity in the universal service regime, the general conditions for the provision of electricity in the universal service regime and the invoice model applicable to household customers –** it has not yet been published in the MO Through the draft order, the following was proposed: **1. the contract - universal service electricity supply framework** - regulates the way in which the contracts in force are applied under the conditions of entry into force of the order and also provides that the price from the universal service offer is applied for a period of minimum 3 months. Provisions with impact on DO: - the reading interval of the index of the measurement group is at most 3 months; - regularization of electricity consumption is done for a maximum of 3 months and is included in the first invoice issued after reading the index by the distribution operator (DO); - communication through the invoice of the time interval for reading the index of the measurement group by the DO representative; - invoicing based on the data established by the electricity consumption convention for the invoicing periods in which the index of the measurement group is not read and the household customer does not transmit the self-read index; - the compensations and punitive interest that the household customer is entitled to receive for the supplier's non-compliance with the obligations set forth in the Performance Standard for the activity of electricity supply and for the distribution operator's non-compliance with the performance indicators provided for in the Performance Standard for the electricity distribution service, in force. **2. the general conditions for the provision of electricity in the universal service regime** - are proposed to be approved separately from the framework contract, so that they can be published on the supplier's website and do not require printing and physical attachment. **3. the invoice model applicable to household customers** - the invoices issued for electricity consumption registered starting from 1 April 2023 must comply with the Invoice Model in Annex 3 which contains the information provided in the Regulation, respectively information from the invoice and information from the annex to the invoice.

2022	2023

2022

Electricity market functioning

ANRE order 3/2022 approval of the Regulation on the organization and functioning of the online platform for switching suppliers (POSF) and for contracting the supply of electricity and natural gas – in force starting with 28 August 2022

- The online platform (POSF) is unique at national level, the end customers and economic operators involved in switching suppliers and contracting the supply are obliged to use this platform exclusively.
- Implementation of the platform starting with 28 August 2022.
- Duration of the supplier change process 24 hours
- The client is obliged to register the self-read index in POSF
- The customer loads the self-read index at the initiation of the supplier change process and a second self-read index at the date of the actual supplier change. If the final customer does not load the index on the date of the actual supplier change, the OD is required to record in the POSF, within 5 days from the date of the actual supplier change by the final customer, the index read by the OD or provided by the smart measurement system.
- The regulation details: The organization and operation of POSF, the content of the POSF database, the data necessary for the creation of the access account in POSF, the rights and obligations of POSF users, the rules on the conclusion of the supply contract, the effective procedure for changing the provider.
- ANRE is the administrator and operator of the Online Platform for the change by the final customer of the electricity and/or natural gas supplier (POSF)
- During the period between the date of entry into force of the order and 28 August 2022, all economic operators are obliged to comply with any ANRE requests for the implementation and implementation of POSF.

2023

Electricity market functioning

ANRE Order no. 12/2023 for the approval of the Regulation regarding the organized framework for trading on the organized future electricity markets administered by the Electric Energy and Natural Gas Market Operator OPCOM S.A., which aims to simplify the organized framework for trading electricity on the markets organized by future electricity, through the trading platforms managed by S.C. OPCOM S.A. – it has not yet been published in the MO

This draft order provided rules that refer to:

- the types of products that can be traded on the standardized and flexible term product markets;
- the method of establishing offers for the sale or purchase of electricity;
- the way of organizing auctions/trading sessions;
- the way of establishing transactions and contracting the traded energy;
- the way of managing and publishing information on participants, offers and concluded transactions.

Draft Order for the approval of the Regulation on the organization and operation of the organized electricity market, administered by the Romanian Stock Exchange - S.A. – public consultation

It provides rules that refer to:

- Introduction of a chapter on organized market segments
- The introduction of new products, namely flexible products and products derived from the field of electricity, settled by physical delivery
- Description of the trading mechanisms used
- Expanding market transparency information
- Introduction of requirements regarding the use of a liquidity provider

Upon entry into force of the order, ANRE Order no. 117/2022 for the approval of the Regulation on the organization and operation of the electricity futures contract market organized by the company Romanian Stock Exchange S.A., and within 30 days of approval, BRM publishes the operational procedures according to the Regulation entered into force.

Draft Order regarding the repeal of ANRE Order no. 97/2013 for the approval of the rules regarding the purchase of electricity to cover own technological consumption related to electrical networks - public consultation

Considering the fact that the provisions included in the ANRE Order no. 97/2013, regarding the acquisition by TSOs and DSOs for NL coverage related to the electrical networks they operate, were taken over within ANRE Orders no. 213/2020, respectively no. 127/2021, with subsequent amendments and additions, it is proposed to repeal ANRE Order no. 97/2013, with subsequent amendments and additions.

Draft Order for the approval of the Methodology for monitoring the wholesale electricity market - public consultation phase II

- updating the Methodology for monitoring the wholesale electricity market, approved by ANRE Order no. 67/2018.
- the restructuring of the old methodology by updating the methodological principles that are the basis of the activity of monitoring the wholesale electricity market, with the requirements of the regulatory framework in force.
- proposes ways to evaluate the level of efficiency, transparency and competition on the wholesale electricity market, to evaluate the behavior of PAN participants and to identify those practices or behaviors that raise suspicions of market abuse or violation of competition principles.
- updating the system of indicators used in the monitoring activity in accordance with the appearance of new components of the wholesale energy market and the correlation with the current regulatory framework.

Draft Order for the approval of the Methodology for monitoring the retail electricity market - public consultation phase II

- updating the Methodology for monitoring the electricity

2022	2023
	retail market, approved by ANRE Order no. 167/2019. - the restructuring of the old methodology by updating the methodological principles that are the basis of the activity of monitoring the retail electricity market with the requirements of the regulatory framework in force and, considering the multitude of changes, issuing a new methodology. - the system of indicators proposed by this project takes over a part of the indicators provided in ANRE Order no. 205/2018 regarding the approval of the Methodology for monitoring the electricity market for end customers served by last resort suppliers, which is repealed. - the method of collecting data and information related to the monitoring of the retail electricity market is similar to that related to the wholesale market, respectively through a set of monitoring templates uploaded monthly by market participants on the ANRE portal.

A.3.2.2. Supply segment

2022	2023
GEO no. 2/2022 *on the establishment of social protection measures for employees and other professional categories in the context of prohibition, suspension or limitation of economic activities, caused by the epidemiological situation generated by the spread of SARS-CoV-2 coronavirus, as well as for the modification and completion of some normative acts:* - The ordinance provides for amendments and additions to GEO No 118/2021 as follows: - extension of the scope of application of the ceiling by including in the category of beneficiaries also public cultural institutions and cultural establishments subordinated to central and local public administration authorities; - the prohibition to disconnect or interrupt, until 30 June 2022, the electricity supply for non-payment of household customers; - provision, in the case of invoices that do not comply with the legal provisions on the application of support schemes (compensation, exemption, capping), for their automatic reissue within 15 days from the date of issue. For invoices already issued, the deadline for their reissue is 15 days after the entry into force of this GEO, i.e. until 3 February 2022 (inclusive). The execution of the payment obligation for invoices in the process of being recalculated is also suspended until new invoices are issued. **GEO no. 3/2022** *amending and supplementing GEO no. 118/2021*: - the following amendments and additions to GEO no. 118/2021 are provided for, with application from 1 February to 31 March 2022: o increasing the consumption margin for compensation from 300 kWh/month (+10%) to 500 kWh/month (+10%) for electricity and from 200 mc/month to 300 mc/month for natural gas; o change the price cap for household customers (from 1 leu/kWh to 0.8 lei/kWh for electricity and from 0.37 lei/kWh to 0.31 lei/kWh for natural gas) and introduce a price cap for all non-household customers (1 leu/kWh for electricity and 0.37 lei/kWh for natural gas); o the cap still concerns both the final price and the electricity/natural gas purchase component: for household customers - 0.8 lei/kWh final price for electricity, of which 0.336 lei/kWh electricity price component; 0.31 lei/kWh final price for natural gas, of which 0.200 lei/kWh natural gas price component; for non-household customers: 1 leu/kWh final price for electricity, of which 0.525 lei/kWh electricity price component; 0.37 lei/kWh final price for natural gas, of which 0.250 lei/kWh gas price component; o recovery of the capped amounts will be made according to the thresholds indicated above, in conjunction with the period of application: from 1 November 2021 to 31 January 2022, by the difference between the average monthly purchase price and the threshold of 525 lei/MWh for electricity and 250 lei/MWh for natural gas. From 1 February, recovery will be made: for household customers - by the difference between the average monthly purchase price and the threshold of 336 lei/MWh for electricity and 200 lei/MWh for natural gas; for non-household customers - by the difference between the average monthly purchase price and the threshold of RON 525 for electricity and 250 lei/MWh for natural gas. **ANRE Order no. 1/2022** for the repeal of ANRE Order no. 32/2016 on the approval of the Methodology for the preparation of the Annual Report by licensees in the electricity and heat sector: the obligation for licensees (including suppliers) to prepare and submit to ANRE an	**Law no. 5/2023** - Law on the modification and completion of Law no. 220/2008 on the establishment of the system for the promotion of energy production from renewable energy sources. - modifies and completes Law no. 220/2008 regarding the trading of green certificates after the expiry of the accreditation period, the recovery of green certificates issued unduly, etc. **Law no. 15/2023** - Law on the approval of Government Emergency Ordinance no. 3/2022 for the modification and completion of Government Emergency Ordinance no. 118/2021 on the establishment of a compensation scheme for the consumption of electricity and natural gas for the cold season 2021-2022, as well as for the completion of Government Ordinance no. 27/1996 on the granting of facilities to persons living or working in some localities in the Apuseni Mountains and in the "Danube Delta" Biosphere Reserve - - GEO no. 3/2022 is approved. **ANRE Order no. 3/2023** - Order for the approval of the Technical Standard on the technical requirements for connection to the electricity grids of public interest for electricity storage facilities and the notification procedure for the connection of electricity storage facilities - enter into force on 20 January 2023. - establishes the procedure and stages of the notification process for the connection of storage facilities, as well as the content of the tests for verifying the compliance of storage facilities with the technical requirements for connection to the electricity grids of public interest. - The technical connection requirements apply to: new electricity storage facilities individually connected; new electricity storage facilities installed in an existing or new production site; new electricity storage facilities installed in an existing or new consumption site. **ANRE order no. 4/2023** – order for amending and completing some orders of the President of the National regulatory Authority for Energy in the field of connection of users to the electricity network of public interest. - Amend and supplement the following normative acts: Regulation on the connection of users to electrical networks of public interest (approved by ANRE order no. 59/2013), the framework of the technical connection notices (approved by ANRE order no. 74/2014). Procedure on connection to the public interest low voltage power networks of the consumption places belonging to household customers (approved by ANRE order no. 18/2022), procedure on connection to the public interest power networks of the consumption and production sites belonging to prosumators (approved by ANRE order no. 19/2022), Framework contracts for connection to public interest electricity networks (approved by ANRE order no. 105/2022). **ANRE order no. 5/2023** — order for the approval of the Regulation for the supply of electricity to final customers, as well as for the modification and completion of some orders of ANRE President: - it enters into force on 6 February 2023 (with the addition of provisions that have other dates of application); - The Regulation for the supply of electricity to final customers is approved; - The framework contract for the provision of the electricity distribution service concluded between the concessionaire distribution operator and the supplier (approved by ANRE order no. 90/2015) is amended/completed. The methodology for setting tariffs for the electricity distribution service by operators other than concessionaire distribution operators (approved by ANRE

2022	2023
annual report on the activities covered by the license has been removed. **ANRE Order no. 3/2022** approving the Regulation on the organization and operation of the online platform for changing the electricity and gas supplier and for contracting the supply of electricity and natural gas: - application deadline - 28 August 2022; - initiated in order to achieve the objective set by the European legislation of changing supplier within 24 hours, starting from 2026; - ANRE is the administrator and operator of the platform where data will be uploaded by end customers, suppliers, network operators, aggregators, etc. (including the standard offers of suppliers), which will mediate the process of changing supplier through the necessary administrative and technical steps and through which customers will be able to contract a new supplier; - The regulation also details the rules on the conclusion of the supply contract, i.e. the actual procedure for changing the supplier, which will replace the current procedure. **ANRE Order no. 4/2022** *amending and supplementing ANRE Order no. 143/2020 on the obligation to offer natural gas on centralized markets to natural gas producers whose annual production in the previous year exceeds 3,000,000 MWh:* - the quantitative allocation for tender for each of the standardised products for the period from 1 January to 31 December 2022 has been adjusted. In the context of the COVID-19 pandemic, the government has decided to successively extend the state of alert initially instituted in 2022 from 8 January 2022, by GD no. 34/2022; from 7 February 2022, by GD no. 171/2022.	order no. 102/2016); - The ANRE order no. 235/2019 for the approval of the Regulation for the supply of electricity to final customers is repealed, ANRE order no. 171/2020 for the approval of the conditions for the supply of electricity by the suppliers of last resort, ANRE order no. 181/2018 for the approval of the procedure regarding the financial guarantees regime established by the final customers at the disposal of the electricity suppliers and for the amendment of the Regulation for the supply of electricity to final customers, ANRE order no. 85/2015 for the approval of the tripartite framework convention concluded between the supplier, The network operator and the final customer, holder of the network contract and the multi-party framework agreement concluded between the final customer, suppliers and the network operator, ANRE order no. 96/2015 for the approval of the Regulation on the activity of informing the final customers of electricity and natural gas; - By the Regulation for the supply of electricity to final customers, new notions regarding the supply contract with dynamic prices (binding offer/contract with dynamic prices for EFSA) and active customers with new obligations for the supplier were introduced (conditioning the existence of supply contract for both the place of consumption and the place of consumption and production); - The main provisions amended/supplemented by the new regulation are: o At the vulnerable customer, they included among the facilities granted and the payment of the invoice, upon request, for a period of minimum 3 months (submission to the supplier with whom he has a check of medical documents for people who need to keep alive by electrical appliances to ensure continuity in supply); o the acceptance of household customers has been extended with new categories; o To the standard offers for non-households, the definition of micro-enterprise in L123 (categorization by consumption not by turnover/no. employees). The obligation to display standard offers at single points of contact has disappeared. In the information in the offer, the unit value of taxes/fees/taxes/contributions will be included. It is no longer mandatory to pass into the offer the main conditions of the contract, but new elements are introduced, to be included in the offer; o The supply of a place of consumption can be made by several suppliers without being conditioned by the power of 1 MW. o the minimum elements of the tripartite/multi-party convention are specified without a framework convention being imposed; o in the contract will be passed the same as in the offer the unit value of taxes/fees/taxes/contributions. A new price element appears - the final billed price = supply price + all taxes, taxes... unit). At the conclusion of the contract, the supplier's website must contain links to POSF; o when invoicing, explicit mentions of normative acts incident during the period of application (i.e. capping) appear. For all household customers (including eligible – competitive household) and SoLR customers, the billing period is monthly. For all household customers, for the consumption achieved starting with 1 April 2023, the invoice model for SU is observed. All invoices for the consumption registered starting 1 April will contain a minimum set of information. New terms for payment installment. **ANRE order no. 9/2023** — order on establishing the mandatory quota for the purchase of green certificates for 2022 - The mandatory quota for 2022 was set at the level of 0.4934314 GC/MWh (compared to 0.5014313 GC/MWh the estimated quota for 2022 and 0.449792 GC/MWh the mandatory quota for 2021);

2022	2023
	- it shall enter into force on 1 march 2023. **ANRE order no. 10/2023** — Order for approval of the methodology for determining the level of the minimum natural gas stock that holders of natural gas supply licenses have the obligation to set up in underground storage warehouses - The methodology for determining the level of the minimum natural gas stock that the holders of the a supply licenses are approved Natural gas is required to establish it in underground storage warehouses - natural gas suppliers, for the quantities delivered to final customers (PET direct client) who have opted for the purchase of natural gas directly from natural gas producers, fulfill their obligation to establish the minimum natural gas stock by: o storage of natural gas in its own name, by concluding contracts for underground storage of natural gas with one of the holders of the license to operate the underground storage systems of natural gas; and/or o conclusion, by may 31 of each year, of sale-purchase contracts covering quantities of natural gas from underground storage of natural gas stored by another natural gas supplier; and/or o signing mandate contracts with another supplier, in order to store natural gas.

Appendix 4 – Corporate Governance

A.4.1. The Board of Directors of ELSA's subsidiaries

All the Boards of Directors of ELSA's subsidiaries were composed of non-executive directors (5 members in the case of DEER and EFSA and 3 members in the case of FISE and EPE) and the composition of these were as follows:

The distribution subsidiary DEER – 1 January 2022 – date of the report

1 January – 23 June	24 June – 27 June	28 June – 30 June	1 July – 5 July	6 July – 20 December	21 December	22 December – 30 June 2023
Stefan Alexandru Frangulea	Stefan Alexandru Frangulea	Stefan Alexandru Frangulea	Stefan Alexandru Frangulea	Stefan Alexandru Frangulea	Anna-Maria Vasile - Chair	Anna-Maria Vasile - Chair
Mirela Dimbean Creta	Maria Cristina Manda	Ligia Costin		Anna-Maria Vasile - Chair	Andrei-Gabriel Benghea-Malaies	Andrei-Gabriel Benghea-Malaies
Maria Cristina Manda	Ligia Costin	Stefan Valeriu Ivan – Chair		Andrei-Gabriel Benghea-Malaies	Niculina – Cristina Somlea	Niculina – Cristina Somlea
Ligia Costin	Stefan Valeriu Ivan – Chair			Niculina – Cristina Somlea	Oana Babagianu	Oana Babagianu
Stefan Valeriu Ivan – Chair starting with 31 January 2022				Oana Babagianu		Constantin Cristian Olaru

Source: Electrica

The end date of the mandates of DEER's directors at the date of this report is 30 June 2023.

The supply subsidiary EFSA – 1 January 2022 – date of the report

1 January – 3 January	4 January – 3 February	3 February – 29 April	30 April – 12 May	13 May – 16 May	17 May – 30 April 2023
Georgeta Corina Popescu – Chair	Georgeta Corina Popescu – Chair	Stefan-Ionut Pascu -Chair starting with 8 February 2022	Razvan Tudor	Mihai Ioanitescu	Mihai Ioanitescu – Chair starting with 20 May
Mihai Darie	Stefan Ionut Pascu	Razvan Tudor	Mihai Ioanitescu		Maria Patrascoiu
Stefan Ionut Pascu	Razvan Tudor	Mihai Ioanitescu			Alexandru – Costin Dumitrescu
Razvan Tudor	Mircea Toma Modran				Liviu Mitroi
Mircea Toma Modran	Mihai Ioanitescu				Adrian – Marian Marin

Source: Electrica

The end date of the mandates of EFSA's directors at the date of this report is 30 April 2023.

The energy services subsidiary SERV – 1 January 2022 – date of the report

1 January – 3 January	4 January – 4 May	5 May – 16 May	17 May – 14 November	15 November-30 April 2023
Georgeta Corina Popescu - Chair	Georgeta Corina Popescu - Chair	Georgeta Corina Popescu - Chair	Elena Stancu	Alexandru – Aurelian Chirita - Chair

1 January – 3 January	4 January – 4 May	5 May – 16 May	17 May – 14 November	15 November- 30 April 2023
Mihai Darie	Irina Clima	Irina Clima	Bogdan Costas - Chair	Bogdan Costas
Irina Clima	Stefan Ionut Pascu		Mihnea Barbulescu	Mihnea Barbulescu
Stefan Ionut Pascu				

Source: Electrica

The end dates of the mandates of SERV's directors at the date of this report is 30 April 2023.

The electricity production subsidiary EPE – 1 January 2022 – date of the report

1 January - 2 January	3 January	4 January – 16 May	17 May – 30 August	23 September – 31 October	1 November – 30 April 2023
Georgeta Corina Popescu – Chair	Georgeta Corina Popescu – Chair	Georgeta Corina Popescu – Chair	Alina Camelia Mustatea – Chair starting with 27 May	Alina Camelia Mustatea	Alexandru – Aurelian Chirita - Chair starting with 07 November
Mihai Darie	Mihai Darie	Mihai Ioanitescu	Mihai Ioanitescu	Mihai Ioanitescu	Alina Camelia Mustatea
Mircea Toma Modran	Mihai Ioanitescu	Razvan Tudor	Razvan Tudor	Razvan Tudor	Mihai Ioanitescu

Source: Electrica

The end date of the mandates of EPE's directors at the date of this report is 30 April 2023.

A.4.2. Executive management of ELSA's subsidiaries

The tables below show the subsidiaries' executive managers with delegated management duties by Board of Directors of ELSA subsidiaries in 2022, as well as until the date of this report, as follows:

The distribution subsidiary DEER – until the date of the report

Name	Period (day month year)	Function	Mandate until the date (for acting executive managers at the date of the report) (day month year)
Niculae Havrilet	01 January 2022-28 March 2022	General Manager	
Mihaela Rodica Suciu	05 April 2022-present	General Manager	05 October 2026
Mihaela Rodica Suciu	01 January 2022 04 April 2022 suspended	Network Development Manager	31 December 2024
Valentin Branescu	01 January 2022- 31 January 2023	Deputy General Manager	
Valentin Branescu	30 September 2022- 31 December 2022	Network Development Manager	
Sinan Mustafa	01 January 2022- 31 January 2023	Deputy General Manager	
Sinan Mustafa	15 October 2022- 31 January 2023	Energy Management Manager	
Vasile Farcas	01 January 2022- 31 January 2023	Network Operations Manager	
Raul Toma	01 January 2022- 14 October 2022	Energy Management Manager	

Name	Period (day month year)	Function	Mandate until the date (for acting executive managers at the date of the report) (day month year)
Raluca Florentina Dumitriu	01 January 2022-31 January 2022	Financial Division Manager	
Dragos Eduard Staicu	01 January 2022-31 January 2023	Integration Division Manager	
Dragos Eduard Staicu	01 February 2022-03 July 2022	Financial Division Manager	
Lucian Penes	04 July 2022-present	Financial Division Manager	03 July 2026
Diana Moldovan	01 January 2022-31 January 2023	Business Support Division Manager	
Gabriela Dobrescu	01 January 2022-31 January 2023	Asset Management Division Manager	
Mariana Monica Radulescu	01 January 2022-31 July 2022	Procurement Operations Manager	
Alexandru Nine	01 January 2022-06 October 2022	TS Power Construction Unit Manager	
Raduta Marius Petrescu	01 January 2022-31 August 2022	MN Network Operations Unit Manager	
Ilie Marin	01 January 2022-31 August 2022	MN Power Construction Unit Manager	
Vasile Claudiu Tudose	01 January 2022-31 August 2022	TN Power Construction Unit Manager	
Moraru Robert	01 February 2023 present	Commercial Division Manager	31 January 2025
Gheorghe Gabriel	01 February 2023 present	Strategy and Planning Manager	31 January 2025
Margin Gabriel Adrian	01 February 2023 present	Technical Division Manager	31 January 2025

Source: Electrica

The supply subsidiary EFSA – until the date of the report

Name	Period (day month year)	Function	Mandate until the date (for acting executive managers at the date of the report) (day month year)
Darius-Dumitru Mesca	1 October 2019 - present	General Manager	30 September 2023
Radulescu-Claudiu Daniel	10 March 2020 – 31 March 2022 and 20 May 2022 – present	Deputy General Manager Interim	31 December 2023
Silvia-Cristina Macedon	13 April 2020 – 29 March 2022	Sales Division Manager	
Paul-Ferdoschi	20 May 2022 – present	Sales Division Manager - Interim	30 June 2023
Corina-Cristina Drumeanu	16 October 2019 – 14 May 2022	Portfoliu Management Division Manager	
Mihai Beu	20 May 2022 – present	Portfoliu Management Division Manager – Interim	30 June 2023
Bogdan-Ionuţ Vlad	15 December 2020 – 23 February 2022	Financial Division Manager	
Ruxandra-Madalina Rusu	20 May 2022 – present	Financial Division Manager – Interim	30 June 2023
Viorel Pintea	6 October 2021 – 14 June 2022	Operations Division Manager	

Name	Period (day month year)	Function	Mandate until the date (for acting executive managers at the date of the report) (day month year)
Simona-Mihaela Covaliu Ciocan	15 June 2022 – 09 October 2022	Operations Division Manager – Interim	
George-Marian Fertu	13 October 2022 - present	Operations Division Manager – Interim	30 June 2023
Cristian-Eugen Radu	1 March 2020 – 31 March 2022	Marketing Division Manager Interim	

Source: Electrica

The energy services subsidiary SERV – until the date of the report

Name	Period (day month year)	Function	Mandate until the date (for acting executive managers at the date of the report) (day month year)
Florian Velicu	17 July 2021 – 18 October 2022	General Manager	
Calin Ionel Dobra	18 October 2022 - present	General Manager	19 May 2023
Ioana Lavinia Panu	01 September 2021- 04 April 2022	Financial Manager	
Eugenia Agliceru	12 April 2022 – 02 August 2022	Financial Manager with delegated attribution on the basis of an individual labor agreement	
Florica Cocari	03 August 2022 - present	Financial Manager with delegated attribution on the basis of an individual labor agreement	
Vasile Ionel Bujorel Oprean	01 December 2017-present	Property Management and Product Development Manager	16 December 2023

Source: Electrica

The electricity production subsidiary EPE – until the date of the report

The Board of Directors did not appoint executive managers within the subsidiary during the period from the establishment until the date of the report.

A.4.3. Number of shares owned by the managers of Electrica Group

As of 31 December 2022 and 28 February 2023, none of the CEOs or directors of the companies in office at the time held shares in ELSA.

According to information held by ELSA, there is no contract, understanding or family relationship between the executive managers of the Group companies mentioned in this chapter and another person who may have contributed to their appointment as executive managers.

According to available information, the members of the BoD and the executive managers of the Group companies mentioned in this chapter have not been involved, in the last five years, in any litigations or administrative procedures related to their activity within the Group and to their capacity to fulfil their work-related duties within the Group.

A.4.4. General Meetings of Shareholders of ELSA subsidiaries

Corporate approvals at GMS/BoD level in the case of ELSA's subsidiaries are regulated through their articles of association, as well as through the implemented corporate policies.

ELSA, as majority shareholder of its subsidiaries, voted in their GMS in 2022 on various topics, amongst which the most important are related to:

- revenue and expenses budgets, financial statements, financial part of the individual annual investment plan, profit appropriation;
- increases in the share capital with land plots in the case of DEER and EFSA (in case of EFSA a completion of the increase in the share capital initiated in the year 2021);
- changing the name of DEER subsidiaries and amending their secondary object of activity in concordance with the secondary objects of activity of DEER;
- documents regarding: Remuneration Policy for non-executive Directors, Methodology for establishing and evaluating short-term performance indicators applicable to non-executive Directors, Performance Indicators 2022 for non-executive Directors, Mandate contract for a non-executive director at the level of each subsidiary, as well as the Manual regarding the unbundling obligation applicable at the group level, in the case of DEER;
- general debt limit in case of DEER, EFSA and EPE;
- the total ceiling of short-term financing that can be contracted by EFSA during the financial year 2022 from banking institutions for financing its current activity, with the guarantee of ELSA;
- the total ceiling of medium and long term financing that can be contracted by DEER during the financial year 2022 from banking institutions to cover the additional costs related to own technological consumption as well as to finance the working capital and the investment projects, with the guarantee of ELSA (which will not be real guarantee);
- contracting by DEER of short-term financing, intended for financing working capital needs, without ELSA guarantees;
- the sale (in the case of EFSA) and the purchase (in the case of EPE) of 100% of the shares held by EFSA in EEV1;
- prior approval for concluding the contract for "subscription - SAP software licenses", pursuant to art. 12 para. (3) letter i of the AoA of the Company, in the case of EFSA;
- appointment of the directors in the Board of Directors of the subsidiaries.

Starting with the end of 2019/beginning of 2020, a unitary policy was implemented within the Group's subsidiaries, regarding the organization and conduct of the General Meetings of Shareholders of the Electrica Group companies, whose objectives are for each company to obtain the corporate approvals in the competence of the GMS in a timely manner, in order to carry out in good conditions the operational activity, in compliance with all legal and statutory provisions, implementation of a unitary system of convening, organizing, carrying out the GMS meetings in Electrica Group, as well as better tracking of the implementation of GMS resolutions.

Appendix 5 - Table list

Appendix 6 - Figure list

Glossary

ANRE	Romanian Energy Regulatory Authority
ASF	Romanian Financial Supervisory Authority (Autoritatea de Supraveghere Financiara)
BPS	Basis points
BoD	Board of Directors
BRP	Balance Responsible Party
BSE	Bucharest Stock Exchange
BTA	Business Transfer Agreement
CAPEX	Capital Expenditure
CGC	Corporate Governance Code
CMC	Competitive Market Component
CMBC (EA/CN)	Centralized Market for Bilateral Contracts (Extended Auction/Continuous Negotiation)
CMNG-AN	Centralized Market for Bilateral Natural Gas Contracts – Auction and Negotiation
CMNG-PA	Centralized Market for Bilateral Natural Gas Contracts – Public Auction
CMNG – OTC	Centralized Market for Bilateral Natural Gas Contracts – OTC
CMUS	Centralized Market for Universal Service
CNTEE	The National Transmission System Operator
CSR	Corporate Social Responsibility
DAM	Day Ahead Market
DAM-NG	Day Ahead Market – Natural Gas
DEER	Distributie Energie Electrica Romania
DSO	Distribution System Operator
DMS	Distribution Management System
EEA	European Economic Area
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortization
EDN	Electrical Distribution Network
EGMS	Extraordinary General Meeting of Shareholders
EFSA	Electrica Furnizare SA
ELSA	Electrica SA
ERM	Enterprise Risk Management
EU	European Union
EUR	The monetary unit of several member states of the European Union
FCA	Financial Conduct Authority – United Kingdom
FPM-LT	Medium and Long-Term Flexible Products Market
GC	Green Certificates
GDP	Gross Domestic Product
GDR	Global Depositary Receipts
GEO	Government Emergency Ordinance
GMS	General Meeting of Shareholders
HV	High Voltage
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IM-NG	Intraday Market for Natural Gas
IMS	Integrated Management System
IPO	Initial Public Offering
IR	Investor Relations

ISIN	International Securities Identification Number
KPI	Key Performance Indicators
kV	KiloVolt
LOC	Land Ownership Certificate
LR	Last Resort
LSH	Labor safety and health
LV	Low Voltage
MV	Medium Voltage
MVA	Mega Volt Ampere
MWh	MegaWatt hour
MKP	Management Key Position
NAFA	National Agency for Fiscal Administration
NES	National Electricity System
NL	Network Losses
NRC	Nomination and Remuneration Committee
OMPF	Order of Ministry of Public Finances
OGMS	Ordinary General Meeting of Shareholders
OHS	Occupational Health and Safety
OHSAS	Occupational Health and Safety Assessment Series
OPCOM	Romanian Gas and Electricity market operator
PCB	Polychlorinated Biphenylsor
RAB	Regulated Asset Base
RM	Retail Market
RON	Romanian monetary unit
RRR	Regulated Rate of Return
SAD	Distribution Automation System
SAPE	Societatea de Administrare a Participatiilor in Energie
SCADA	Supervisory Control And Data Acquisition
SDEE	Societatea de Distributie a Energiei Electrice SA
SDMN	Societatea de Distributie a Energiei Electrice Muntenia Nord SA
SDTN	Societatea de Distributie a Energiei Electrice Transilvania Nord SA
SDTS	Societatea de Distributie a Energiei Electrice Transilvania Sud SA
SED	Servicii Energetice Dobrogea SA
SEM	Servicii Energetice Muntenia SA
SEO	Servicii Energetice Oltenia SA
SoLR	Supplier of last resort
SPO	Secondary Public Offering
TWh	TeraWatt hour
TSO	Transmission and system operator
UM	Unit of Measurement
US	Universal Service
USD	United States Dollar
VAT	Value Added Tax

Note: The figures presented in this document are rounded based on the round to nearest method; as a result, rounding differences may appear.

Explanations Regarding the Differences between Consolidated Financial Statements OMFP 2844/2016 vs IFRS-EU

Electrica 2021 Annual Report contains the Annual Consolidated Financial Statements of Electrica as of and for the financial year ended on December 31, 2022, prepared in accordance with OMFP no. 2844/2016, for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards adopted by the European Union with subsequent changes and the Annual Consolidated Financial Statements of Electrica as of and for the financial year ended on 31 December 2022, prepared in accordance with the International Financial Reporting Standards adopted by the European Union with subsequent amendments (IFRS-EU).

Until 31 December 2021, the consolidated financial statements prepared in accordance with OMFP no. 2844/2016 were equivalent to IFRS-EU.

Starting from December 31, 2022, according to the Order of the Ministry of Public Finances (OMFP) no. 3900/2022, a new clause was provided regarding the regulatory accounts to cover the additional expenses of the network losses („NL") for the actual energy costs compared to the ANRE ex-ante prices recognized in the distribution tariffs, by constituting **intangible assets** for these additional expenses. This amendment to the financial regulations of OMFP 2900/2022, was decided as a result of the context of electricity prices from 2022, which determined that ANRE issue for the Distribution Operators a new methodology regarding additional costs with NL during the period 1 January 2022 – 31 August 2023. The calculation of the capitalized amounts is carried out in compliance with the legislation specific to the entities that are the subject of GEO 119/2022, with subsequent additions and changes. According to ANRE regulations, the capitalized costs as intangible assets are recorded in the accounting record and therefore in the annual financial statements according to the instructions issued by the Ministry of Finance. ANRE will determine the recognized annual amounts of capitalized costs based on the recognized quantities and prices for NL.

Thus, within the consolidated annual financial statements for the year 2022, prepared in accordance with OMFP no. 2844/2016, for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards adopted by the European Union with subsequent amendments, the Group recorded intangible assets in the amount of **951.6 million RON**, in correspondence with income from the production of intangible assets in the amount of **989.3 million RON** and amortization related to intangible assets constituted until 31Dec2022 in the amount of **37.3 million RON**. The revenues from the production of intangible assets represent the additional network losses (own technological consumption) calculated as the difference between the net cost with the purchase and the cost of NL included in the regulatory tariff, for the period 1 January 1 -31 December 2022.

In the set of consolidated financial statements according to IFRS-EU, these expenses have another applicable financial treatment, based on the amendment of the concession contracts regarding the recognition of additional costs (actual costs vs recognized ex-ante in the tariffs) with the purchase of electricity to cover NL for the distribution segment. On 20 January 2023, the Ministry of Energy, as the concedent, amended the concession contract with the Electrica Group for the distribution segment to reflect that, in the event of early termination of the concession contract, for any reason, the new concessionaire would reimburse the Group the amount the current cost of purchasing electricity for own technological consumption compared to the costs included in the regulated tariffs. Based on the changes in the concession contracts, the additional cost of purchasing electricity to cover the distribution operators' own technological consumption is recognized as a **financial asset (guaranteed asset)** as part of the concession contract. These amounts are guaranteed by the concession contract that was fined based on the legal provisions. The resulting financial assets are presented in the consolidated financial statements at the fair value determined as the net present value of the additional costs with the purchase of electricity borne by the distribution subsidiary for NL.

Thus, within the consolidated annual financial statements for the year 2022, drawn up in accordance with the International Financial Reporting Standards adopted by the European Union with subsequent amendments (IFRS-EU), the Group recorded both a financial asset and corresponding income from the initial recognition of fixed assets financial related to the concession agreements in the amount of **951.6 million RON**, representing the value that has to be recovered regarding the additional NL calculated as the difference between the net cost with the purchase of the energy for NL and the NL cost included in the regulatory tariff by ANRE, for the period 1 January – 31 December 2022, as specified in the additional act to the concession contract concluded between the distribution subsidiary of the Group (Distributie Energie Electrica Romania SA „DEER") with the Ministry of Energy. Because all the facts and circumstances were available on 31 December 2022, the Group accounted for these changes as an event the subsequent adjustment for the year ended 31 December 2022 and recognized a financial asset for the value of the additional NL to be recovered.

In conclusion, both on IFRS-EU and on OMFP 2844/2016 the Group recognizes related assets/revenues as a result of the additional difference of NL for the distribution subsidiary, the net impact in the profit of the period being the same in both sets of consolidated annual financial statements, while in the financial position of the Group, according to OMFP 2844/2016 is recognized as an intangible asset and according to IFRS-EU is regognized as a financial asset (divided into long-term/short-term according to the recovery of additional costs with NL in tariffs), both assets having the same net value reflected in the statements consolidated annual financial statements, thus the values are comparable on both sets for the main financial indicators of the Electrica Group.

2022 Separate Financial Statements

2022 Separate Financial Statements

SOCIETATEA ENERGETICA ELECTRICA S.A.

Separate Financial Statements

as at and for the year ended

31 December 2022

prepared in accordance with

Ministry of Public Finance Order no. 2844/2016 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards

Free translation from Romanian, which is the official and binding version

Content

SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

(All amounts are in RON, if not otherwise stated)

	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	19	98,939,502	100,057,480
Intangible assets	20	126,189	53,676
Investments in subsidiaries	21	2,298,128,361	2,285,224,715
Investments in associates	22	18,821,421	25,809,696
Other investments	1	7,000,000	-
Loans granted to subsidiaries – long term	23	1,276,325,000	1,276,325,000
Right of use assets		248,087	488,370
Total non-current assets		**3,699,588,560**	**3,687,958,937**
Current assets			
Cash and cash equivalents	18	105,631,939	5,757,972
Trade receivables	16	795,526	925,873
Other receivables	17	501,493,067	584,765,644
Prepayments		1,023,678	765,483
Loans granted to subsidiaries – short term	23	45,034,523	30,000,000
Assets held for sale		279,655	279,655
Total current assets		**654,258,388**	**622,494,627**
Total assets		**4,353,846,948**	**4,310,453,564**
EQUITY AND LIABILITIES			
Equity			
Share capital	24	3,464,435,970	3,464,435,970
Share premium	24	103,049,177	103,049,177
Treasury shares reserve	24	(75,372,435)	(75,372,435)
Pre-paid capital contributions in kind from shareholders	24	7,366	7,366
Revaluation reserves	24	11,806,704	12,397,647
Legal reserves	24	229,435,101	228,156,226
Other reserves	24	224,105,807	71,213,362
Retained earnings		38,908,798	319,621,087
Total equity		**3,996,376,488**	**4,123,508,400**

(Continued on next page)

	Note	31 December 2022	31 December 2021
Liabilities			
Non-current liabilities			
Lease liability – long term		54,049	118,456
Employee benefits	12	1,095,651	1,050,299
Long-term bank borrowings	14	100,000,000	-
Total non-current liabilities		**101,149,700**	**1,168,755**
Current liabilities			
Bank overdrafts	18	207,830,772	120,541,354
Lease liability – short term		215,561	394,818
Trade payables	25	4,744,726	4,034,356
Other payables	26	36,474,707	44,022,468
Deferred revenue		173,187	384,578
Employee benefits	11,12	5,840,131	12,160,721
Provisions	27	1,041,676	4,238,114
Total current liabilities		**256,320,760**	**185,776,409**
Total liabilities		**357,470,460**	**186,945,164**
Total equity and liabilities		**4,353,846,948**	**4,310,453,564**

The accompanying notes are an integral part of these separate financial statements.

Chief Executive Officer
Alexandru – Aurelian Chirita

Chief Financial Officer
Stefan Alexandru Frangulea

07 March 2023

SEPARATE STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts are in RON, if not otherwise stated)

	Note	2022	2021
Other income	8	5,179,621	808,081
Employee benefits	13	(30,156,958)	(39,239,650)
Depreciation and amortization	19,20	(1,586,304)	(2,274,344)
Reversal of impairment of trade and other receivables, net	16,17	101,380	70,195
Reversal of impairment/ (Impairment) of property, plant and equipment, net	19	4,840	3,804,893
Change in provisions for legal cases and non-compete clauses, net	27	3,196,438	1,580,149
Other operating expenses	8	(18,538,612)	(20,389,544)
Loss before finance result		**(41,799,595)**	**(55,640,220)**
Finance income	9	78,298,886	377,682,973
Finance costs	9	(12,440,801)	(262,543)
Net finance income		**65,858,085**	**377,420,430**
Share of results of associates	22	(13,044)	(3,498)
Profit before tax		**24,045,446**	**321,776,712**
Income tax benefit	15	259,439	43,172
Profit for the year		**24,304,885**	**321,819,884**
Earnings per share			
Basic and diluted earnings per share (RON)	10	**0.07**	**0.95**

The accompanying notes are an integral part of these separate financial statements.

Chief Executive Officer	**Chief Financial Officer**
Alexandru – Aurelian Chirita	Stefan Alexandru Frangulea

07 March 2023

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts are in RON, if not otherwise stated)

	Note	2022	2021
Profit for the year		**24,304,885**	**321,819,884**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements of the defined benefit liability	12	1,621,494	269,825
Tax related to re-measurements of the defined benefit liability	15	(259,439)	(43,172)
Other comprehensive income, net of tax		**1,362,055**	**226,653**
Total comprehensive income		**25,666,940**	**322,046,537**

The accompanying notes are an integral part of these separate financial statements.

Chief Executive Officer

Alexandru - Aurelian Chirita

Chief Financial Officer

Stefan Alexandru Frangulea

07 March 2023

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts are in RON, if not otherwise stated)

		Subscribed and paid in share capital	Share premium	Treasury shares reserve	Capital contributions in kind from shareholders	Revaluation reserves	Legal reserves	Other reserves	Retained earnings	Total equity
Balance at 1 January 2022		**3,464,435,970**	**103,049,177**	**(75,372,435)**	**7,366**	**12,397,647**	**228,156,226**	**71,213,362**	**319,621,087**	**4,123,508,400**
Comprehensive income										
Profit for the year		-	-	-	-	-	-	-	24,304,885	24,304,885
Other comprehensive income		-	-	-	-	-	-	-	1,362,055	1,362,055
Total comprehensive income		-	-	-	-	-	-	-	**25,666,940**	**25,666,940**
Transactions with owners of the Company										
Contributions and distributions		-	-	-	-	-	-	-	-	-
Dividends to the owners of the Company	24	-	-	-	-	-	-	-	(152,798,852)	(152,798,852)
Total transactions with owners of the Company									**(152,798,852)**	**(152,798,852)**
Other changes in equity		-	-	-	-	-	-	-	-	-
Set up of legal reserves	24	-	-	-	-	-	1,278,875		(1,278,875)	-
Transfer to other reserves	24	-	-	-	-	-	-	152,892,445	(152,892,445)	-
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment		-	-	-	-	(590,943)	-	-	590,943	-
Balance at 31 December 2022		**3,464,435,970**	**103,049,177**	**(75,372,435)**	**7,366**	**11,806,704**	**229,435,101**	**224,105,807**	**38,908,798**	**3,996,376,488**

After the distribution of 2021 profit to legal reserves and dividends, the undistributed portion of the net profit is RON 152,892,445. This amount was distributed to "Other reserves" in 2022, so that the entire net profit is distributed.

(Continued on next page)

		Subscribed and paid in share capital	Share premium	Treasury shares reserve	Capital contributions in kind from shareholders	Revaluation reserves	Legal reserves	Other reserves	Retained earnings	Total equity
Balance at 1 January 2021		**3,464,435,970**	**103,049,177**	**(75,372,435)**	**7,366**	**12,605,266**	**212,027,639**	**35,644,469**	**296,938,104**	**4,049,335,556**
Comprehensive income										
Profit for the year		-	-	-	-	-	-	-	321,819,884	**321,819,884**
Other comprehensive income		-	-	-	-	-	-	-	226,653	**226,653**
Total comprehensive income		-	-	-	-	-	-	-	**322,046,537**	**322,046,537**
		-	-	-	-	-	-	-	-	-
Transactions with owners of the Company		-	-	-	-	-	-		-	-
Contributions and distributions										
Dividends to the owners of the Company	24	-	-	-	-	-	-	-	(247,873,693)	**(247,873,693)**
Total transactions with owners of the Company		-	-	-	-	-	-	-	**(247,873,693)**	**(247,873,693)**
		-	-	-	-	-	-	-	-	-
Other changes in equity		-	-	-	-	-	-	-	-	-
Set up of legal reserves	24						16,128,587		(16,128,587)	
Transfer to other reserves	24	-	-	-	-	-	-	35,568,893	(35,568,893)	-
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment		-	-	-	-	(207,619)	-	-	207,619	-
Balance at 31 December 2021		**3,464,435,970**	**103,049,177**	**(75,372,435)**	**7,366**	**12,397,647**	**228,156,226**	**71,213,362**	**319,621,087**	**4,123,508,400**

The accompanying notes are an integral part of these separate financial statements.

Chief Executive Officer
Alexandru - Aurelian Chirita

Chief Financial Officer
Stefan Alexandru Frangulea

07 March 2023

	Note	2022	2021
Cash flows from operating activities			
Profit for the year		**24,304,885**	**321,819,884**
Adjustments for:			
Depreciation	19	1,006,439	1,114,306
Amortisation	20	579,865	1,160,038
Reversal of impairment of property, plant and equipment, net	19	(4,840)	(3,804,893)
Loss from the disposal of tangible assets	19	-	3,104,047
Loss from investments in subsidiaries	21	-	73
Reversal of impairment of trade and other receivables, net	16,17	(101,380)	(70,195)
Impairment of assets held for sale		-	492,336
Net finance income	9	(65,858,085)	(377,420,430)
Share of loss of associates	22	13,044	3,498
Changes in employee benefits obligations	12	(4,977,943)	5,054,128
Changes in provisions, net	27	(3,196,438)	(1,580,149)
Income tax benefit	15	(259,439)	(43,172)
		(48,493,892)	**(50,170,529)**
Changes in:			
Trade receivables		231,727	(443,724)
Other receivables		(489,743)	2,972,994
Trade payables		428,462	(2,874,463)
Other payables		757,931	259,359
Employee benefits		64,760	(286,961)
Cash flow used in operating activities		**(47,500,755)**	**(50,543,324)**
Interest paid		(12,238,993)	(179,011)
Net cash used in operating activities		**(59,739,748)**	**(50,722,335)**

(Continued on next page)

	Note	2022	2021
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		(1,875,869)	(4,829,850)
Payments for purchase of intangible assets		(166,015)	-
Payments for purchase of interests in subsidiaries, net		(4,439,771)	(124,990)
Proceeds from sales of investments in subsidiaries		-	20
Proceeds from the sale of property, plant and equipment		1,179,434	21,001
Proceeds from loans granted to subsidiaries		135,945,985	60,000,000
Payment for acquisition of investment in associate		(13,044)	(25,813,194)
Payment for other long term investments		(7,000,000)	-
Loans granted to subsidiaries		(150,980,508)	(336,325,000)
Cash used by subsidiaries under the cash pooling facility	23,29	81,289,620	(393,576,820)
Interest received		72,086,815	42,172,401
Dividends received	9	-	329,543,644
Restricted cash		-	320,000,000
Net cash (used in)/from investing activities		**126,026,647**	**(8,932,788)**
Cash flows from financing activities			
Dividends paid	24	(153,150,278)	(247,626,657)
Payment of lease liabilities		(552,172)	(986,422)
Proceeds from overdrafts		87,289,418	-
Long-term bank borrowings	15	100,000,000	-
Net cash used in financing activities		**33,587,068**	**(248,613,079)**
Net increase in cash and cash equivalents		**99,873,967**	**(308,268,202)**
Cash and cash equivalents at 1 January	18	(114,783,382)	193,484,820
Reclassification of overdrafts previously presented as cash and cash equivalents	18	120,541,354	-
Cash and cash equivalents at 31 December	18	**105,631,939**	**(114,783,382)**

The accompanying notes are an integral part of these separate financial statements.

Chief Executive Officer	**Chief Financial Officer**
Alexandru – Aurelian Chirita	Stefan Alexandru Frangulea

07 March 2023

1 Reporting entity and general information

These financial statements are the separate financial statements of Societatea Energetica Electrica S.A. ("Company" or "Electrica SA") as at and for the year ended 31 December 2022.

Electrica was originally incorporated as a company in 1998 by Government Decision no. 365/1998, following the restructuring of the former National Electricity Company (RENEL). On 1 August 2000, following the restructuring of the former National Electricity Company (CONEL) under the Government Decision no. 627/2000, the Company was allocated a new tax registration number. The registered office of the Company is no 9, Grigore Alexandrescu Street, District 1, Bucharest, Romania. The Company has sole registration code 13267221 and Trade Register number J40/7425/2000.

As at 31 December 2022 and 31 December 2021, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy with a share of ownership of 48.79% from the share capital.

The Company's shares are listed on the Bucharest Stock Exchange and the global depository receipts ("GDRs") are listed on the London Stock Exchange. The shares traded on the London Stock Exchange are the global depositary receipts, one global depositary receipt representing four shares. The Bank of New York Mellon is the depositary bank for these securities.

As at 31 December 2022 and 31 December 2021, the Company's subsidiaries are the following:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2022	% shareholding as at 31 December 2021
Distributie Energie Electrica Romania S.A. ("DEER")	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	99.99999929%	99.99999929%
Electrica Furnizare S.A.	Electricity and natural gas supply	28909028	Bucuresti	99.9998444099934%	99.9998415011992%
Electrica Serv S.A.	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	99.99998095%	99.99998095%
Electrica Productie Energie S.A	Electricity generation	44854129	Bucuresti	99.9920%	99.9920%
Sunwind Energy S.R.L.	Electricity generation	42910478	Constanta	60%	-
New Trend Energy S.R.L.	Electricity generation	42921590	Constanta	60%	-
Green Energy Consultancy & Investments S.R.L.	Electricity generation	29172101	Prahova	75%	-
Servicii Energetice Oltenia S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29389861	Craiova	100%	100%
Servicii Energetice Moldova S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29386768	Bacau	100%	100%
Servicii Energetice Banat S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29388211	Timisoara	100%	100%
Servicii Energetice Dobrogea S.A. (in bankruptcy)	Services in the energy sector (maintenance, repairs, construction)	29388378	Constanta	100%	100%

As at 31 December 2022 and 31 December 2021, the Company's associates are the following:

Associate	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2022	% shareholding as at 31 December 2021
Crucea Power Park S.R.L.	Electricity generation	25242042	Constanta	30%	30%
Sunwind Energy S.R.L.	Electricity generation	42910478	Constanta	-	30%
New Trend Energy S.R.L.	Electricity generation	42921590	Constanta	-	30%
Foton Power Energy S.R.L.	Electricity generation	43652555	Constanta	30%	30%

As at 31 December 2022, the Company's other long term investments are the following:

Company	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2022	% shareholding as at 31 December 2021
CCP.RO Bucharest S.A. (CCP.RO)	Financial brokerage activities, exclusively insurance activities and pension funds (risk management through derivative products on the energy market)	17777754	Bucuresti	8.06%	-

Changes in Company structure during 2022

Acquisition of shares in subsidiaries

On 21 March 2022, the Company acquired an additional 30% of the shares and voting interests in Sunwind Energy S.R.L. As a result, the Company's equity interest increased from 30% to 60%, granting control of Sunwind Energy S.R.L. (for further details please see Note 21).

On 27 May 2022, the Company acquired an additional 30% of the shares and voting interests in New Trend Energy S.R.L.. As a result, the Company's equity interest increased from 30% to 60%, granting control of New Trend Energy S.R.L. (for further details please see Note 21).

On 6 September 2022, the Company acquired 75% of Green Energy Consultancy & Investments S.R.L.'s shares granting control of the entity (for further details please see Note 21).

Entering the shareholding structure of CCP.RO

On 8 December 2022, the effective subscription was made in the amount of RON 7.000.000, equivalent to 8.06% of the share capital of the company CPP.RO Bucharest S.A. after the increase of the share capital, CCP.RO thus becoming a financial investment owned by Electrica for the long term. CCP.RO will fulfil the role of central counterparty for the transactions concluded on the markets served, respectively on financial instruments markets, including derivative financial instruments, administered by the Bucharest Stock Exchange (BSE) and on the markets organized for the trading of electricity administered by the Romanian Electricity and Gas Market Operator OPCOM (OPCOM) (significant shareholder of CCP.RO – with 19.06% stake).

The Company's main activities

Currently, the core business of the Company, according to the Statute is "Activities of business and management consulting", also performing corporate activities at parent company level for its subsidiaries.

Electrica SA is the parent company of one electricity distribution company (set up from merger of three electricity distribution companies), one electricity and natural gas supplier, five companies providing services in the energy sector (out of which four are currently in bankruptcy) and five energy production companies (Electrica Energie Verde 1 SRL in which Electrica SA has an indirect shareholding of 100% being acquired by Electrica Productie Energie SA), to which two energy production project companies are being added where the Company doesn't have control (the shareholding is 30%).

During 2021 and 2022, Societatea Energetica Electrica SA ("ELSA") made the following changes in the subsidiaries and associated entities:

- **Electrica Productie Energie ("EPE")**, a company founded during 2021, which will handle the acquisition and development of projects for generating electricity from renewable sources, respectively for capacity operation power generation, cumulated with the development and operation of independent storage solutions that the company plans to develop them in the future;
- **Electrica Energie Verde 1 SRL ("EEV1")**, an energy production company that owns a park of photovoltaic panels in Stanesti, Giurgiu County, with an installed capacity of 7.5 MW (operating capacity being limited to 6.8 MW); the company was acquired in 2020 by Electrica Furnizare S.A. subsidiary, and to which Electrica SA holds an indirect shareholding of 100% of the shares;
- **Sunwind Energy SRL**, develops the photovoltaic project "Satu Mare 2" with a projected installed capacity of 27 MW,, located in the vicinity of Satu Mare, with a total estimated price for 100% of the shares of 1,485,000 EUR and became a subsidiary on 21.03.2022 as a result of ELSA's ownership of 60% of the shares;
- **New Trend Energy SRL**, develops the photovoltaic project "Satu Mare 3", with a projected capacity of 59 MW, located in the vicinity of Satu Mare, with a total estimated price for 100% of the solcial parts of 3.245.000 EUR and became a subsidiary on 27.05.2022 as a result of ELSA's ownership of 60% of the shares;
- **Green Energy Consultancy & Investments SRL,** develops the photovoltaic project "Vulturu" with an installed capacity of 12 MW (power at the level of the panels) and 9.75 MW (evacuatable power in network), located in the area of Vulturu commune, Vrancea county;
- **Crucea Power Park SRL**, develops the wind project "Crucea Est", with a projected installed capacity of 121 MW and a projected electricity storage capacity of 60 MWh (15 MW x 4h), located outside the village Crucea, jud. Constanta, with an estimated total price for 100% of the solcial parts of 8.470.000 EUR;
- **Foton Power Energy SRL**, develops the photovoltaic project "Bihor 1" with a projected installed capacity of 77.5 MW, located in the vicinity of Oradea, with a total estimated price for 100% of the solcial parts of 4.262.500 EUR.

Increase in Energy price impact

Following the total liberalization of the electricity market from 1 January 2021 for all types of consumers, the international context of the energy markets characterized by an imbalance between supply and demand at European level, corroborated with the energy policies developed both at EU and national level, has led to an increase in electricity prices. Moreover, the strong increase in energy prices is both the result of external factors, such as the exponential increase in the price of emission allowances, and of internal factors, such as the high share of energy traded on the spot market (DAM). The entire energy sector was affected by the increased energy price.

The aforementioned difficult conditions led to an increase in operating expenses, mainly for the acquisition of energy for network losses and for supplying activity, affecting two of the Company's subsidiaries. For the two subsidiaries the unstable economic environment, led to a decrease in financial performance for 2021, but during 2022 the financial performance has significantly improved, due to electricity acquisition security measures for the supply segment and for distribution segment has benefit by capitalisation of additional costs with own technological consumption, also with no significant difficulties in receivables collection and consequently payment of debts being noted.

Due to the recent changes in the global energy market, including EU, each EU member state had to amend legal framework for the energy sector in order to protect the civil society interests on the one hand and, on the other hand to ensure a proper equilibrium and functionality on the local energy market by supporting also the utilities energy suppliers. As a result, Romanian Regulatory Authority for Energy – ANRE (https://www.anre.ro/) has to adopt similar measures through its Order 129/2022 approving Methodological norms regarding the recognition in the tariffs of the additional costs with the acquisition of electricity for covering the network losses compared to the costs included in the regulated tariffs, carried out between 1 January 2022 – 31 August 2023.

In 2022 the effect of retail prices for electricity was covered as grants received from the state authorities, as a result of the application of the mechanism of capping the prices for electricity and natural gas, following the enacting of Ordinances 118/2021 and 119/2022, the electricity prices for certain categories of households and industrial consumers has been capped to a certain level. The difference between the capped level and the average acquisition prices in the period to which a margin has been allowed, is recoverable from the state authorities.

The Company actively implements strategies and takes measures in order to reduce any liquidity risk which may appear within the Group among which: securing new overdrafts, prolonging the terms for reimbursments of current overdrafts, increaseing the limits for current overdrafts, securing the prolonging of the cash pooling facility.

Geopolitical tensions

In February 2022 global geopolitical tensions significantly escalated following military interventions in Ukraine by the Russian Federation. As a result of these escalations, economic uncertainties in energy and capital markets have increased, with global energy prices expected to be highly volatile for the foreseeable future. As at the date of these separate financial statements, management is unable to reliably estimate the effects on the Groups financial outlook and cannot exclude adverse consequence on the business, operations, and financial position. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances and that judgements used in these financial statements remain appropriate.

2 Basis of accounting

These separate financial statements have been prepared in accordance with the Ministry of Public Finance Order no. 2844/2016 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards ("OMFP no. 2844/2016"). In acceptance of OMFP no. 2844/2016, International Financial Reporting Standards are standards adopted under the procedure provided by the European Commission Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 regarding the application of the international accounting standards. The consolidated financial statements of Electrica Group prepared in accordance with International Financial Reporting Standards as adopted by EU will be published at least 30 days before the GSM scheduled on 28 April 2023.

These separate financial statements were authorized for issue by the Board of Directors on 07 March 2023 and will be submitted for shareholders' approval in the general meeting scheduled on 28 April 2023.

Details of the Company's accounting policies are included in Note 6. The Company has consistently applied the accounting policies to all periods presented in these separate financial statements.

3 Functional and presentation currency

These separate financial statements are presented in Romanian Lei (RON), which is the functional currency of the Company. All amounts are in RON, if not otherwise stated.

4 Use of judgements and estimates

In preparing these separate financial statements, the management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are prospectively recognised.

Judgements, assumptions and estimation uncertainties

Information about judgements made in applying accounting policies and assumptions and estimation uncertainties that have the most significant effects on the amounts recognised in the separate financial statements is included below:

- Note 6 h) – estimates regarding the useful lives of property, plant and equipment;
- Note 19 – assumptions regarding the revalued amount of property, plant and equipment;
- Note 21 – assumptions and estimates regarding the valuation of shareholdings in the subsidiaries;
- Note 15 - assumptions regarding the recognition of deferred tax asset;

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised into different levels of the fair value hierarchy, then the fair value measurement is entirely categorised on the level of the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions used in measuring fair values is included in

- Note 19: Property, plant and equipment.
- Note 28: Financial instruments - fair values and risk management.

5 Basis of measurement

The separate financial statements have been prepared on the historical cost basis, except for the land and buildings, which are measured based on revaluation model.

6 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these separate financial statements. The new amendments to existing standards that are effective starting with 1 January 2022 do not have a significant impact over the Company separate financial statements.

(a) Going Concern

The standalone financial statements have been prepared on the going concern basis. In making this judgement management considers current trading performance and access to finance resources. The Company depends upon the trading and cash generation of its subsidiaries, that have been included in the Groups consolidated forecast which includes the following assumptions:

- A continuation of the support scheme until 31 March 2025 according to the applicable legislation but with a more stable flow of repayments of the reimbursement requests for subsidies as compared with last year, as the mechanism has been operationally improved;
- The utilization of confirmed debt facilities up to a limit of RON 4,948,373 thousand, including RON thousand 2,891,660 thousand overdraft limits (out of which RON 2,571,037 thousand used until 31.12.2022) and RON 2,056,713 thousand long term loans limit (out of which RON 760,713 thousand long term loans used until 31.12.2022);
- The utilization of not yet confirmed facilities amounting to RON 283,000 thousand and limits for factoring without recourse for the requests for reimbursement for the subsidies

under the support scheme amounting to RON 350,000 thousand which will be drawn during the forecast period;

- Also, the Group obtained the approval of the GSM to perform one or more bond issuance within a ceiling of up to 900,000 thousand RON in the period 2022-2023, mainly for the development of green energy generation projects. Depending on market context, a first issuance of up to RON 650,000 thousand in the second part of 2023 is envisaged, and until its use in the operationalization of green energy production projects, the respective amounts attracted will be able to be used as a liquidity buffer at the Group level.

At the date of issuance of these consolidated financial statements the regulatory position may be further amended and there may be further laws enacted which could adversely impact the Groups operating cash flows during the forecast period. Given the current market uncertainties, the Group is closely monitoring the market context and is continuously analysing the opportunities for optimisation of debt and increase of bank overdrafts and long-term loans. In light of the importance of the Group as the supplier and distributed of electricity on the Romanian market, having 40.7 % (according to the latest ANRE report 2021 for the distribution segment) as market share on the electricity distribution and 17.72 % (according to the latest ANRE report October 2022 for the supply segment) as market share on the electricity supply market and having as main shareholder of Electrica SA the Romanian State, the management believes sufficient financing will be made available to cover any financing requirements arising from market uncertainty and Group will be able to meet its obligations as they fall due.

Based upon the above projections and other information, given the measures already implemented and the strategies to reduce the risks which may occur due to the instability of the economic environment, the Board of Directors has, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

(b) Revenue

The Company recognizes the revenue from contracts with customers in accordance with IFRS 15.

Under the standard, revenue is recognized when or as the customer acquires control over the goods or services rendered, at the amount which reflects the price at which the Company is expected to be entitled to receive in exchange of those goods or services. Revenue is recognized at the fair value of the services rendered or goods delivered, net of VAT, excises or other taxes related to the sale.

(c) Commissions

The Company assesses its revenue arrangements based on specific criteria to determine if it is acting as principal or agent. If the Company acts in the capacity of an agent rather than as the principal in a transaction, then the recognised revenue is the net amount of commission earned by the Company.

(d) Finance income and finance costs

The Company's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses recognised on financial assets (other than trade receivables).

Interest income or expense is recognised using the effective interest method.

(e) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date, as communicated by the National Bank of Romania. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated to the functional currency.

(f) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present, legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be reliably estimated.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods, by discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The Company determines the net interest expense/(income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, considering any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(g) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except for the items recognised directly in equity or in other comprehensive income, in which case it will be recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences arising from the initial recognition of assets and liabilities resulting from transactions that are not business combinations and that affect neither accounting nor taxable profit or loss;
- temporary differences resulting from investments in subsidiaries, associates and jointly controlled entities, to the extent that the Company can exercise control over the reversal

period of the temporary differences and it is probable that they will not be reversed in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available to be used for covering them. Deferred tax assets 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 realised.

Deferred tax is measured based on the tax rates that are expected to be applicable to temporary differences when they are reversed, using tax rates enacted or substantively enacted at the reporting date.

The measurement of the deferred tax reflects the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it is probable that the future taxable profits will be available against which they can be used.

(h) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are initially recognised at cost, which includes purchase price and other costs directly attributable to acquisition and bringing the asset to the location and condition necessary for their intended use.

After initial recognition, land and buildings are measured at revalued amounts less any accumulated depreciation and any accumulated impairment losses since the most recent valuation.

The Company used the fair value as deemed cost for the tangible assets for the opening of the financial position.

Revaluations are performed with sufficient regularity to ensure that the carrying amount does not materially differ from the one which would be determined using the fair value at the end of the reporting period.

When a building is revalued, the accumulated depreciation is eliminated against the gross carrying amount of that item, and the net amount is restated to the revalued amount of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Spare parts, stand-by and servicing equipment are classified as property, plant and equipment if they are expected to be used during more than one period or can be used only in connection with an item of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership right by the end of the lease term. Land and other non-current assets in progress are not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

Category	Useful lives (years)
Buildings	40-60
Equipment	4-12
Vehicles, furniture and office equipment	3-10

The depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of software and licenses are 3-5 years.

Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets are initially measured at fair value and subsequently at amortized cost in accordance with IFRS 9, as they are held in a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition less the principal reimbursements, plus the cumulative amortization using the effective interest method, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Loans and receivables

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. The amortised cost is reduced by impairment losses.

Loans and receivables comprise trade receivables, cash and cash equivalents and bank deposits.

Trade receivables

Trade receivables include mainly invoices issued or to be issued to the subsidiaries for the rendered services.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits and deposits with maturities of three months or less from the transaction date that are subject to an insignificant risk of changes in their fair value, that are used by the Company in the management of its short-term commitments.

(ii) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at fair value, are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Other financial liabilities include trade payables.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognized as a deduction from equity.

Repurchase and reissue of ordinary shares (treasury shares)

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified and presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

(k) Impairment

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(ii) Write-off policy

The Company writes off a financial asset when after the finalization of the bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(l) Revaluation reserves

The difference between the revalued amount and the net carrying amount of property, plant and equipment is recognized as revaluation reserve included in equity.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognized and accumulated in equity under the heading of revaluation reserve. However, the increase is recognized in profit and loss to the extent that it reverses a revaluation decrease of the same amount of the asset previously recognised in profit and loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss, However, the decrease is recognized in equity in revaluation reserves if there is any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings in an amount corresponding to the use of the asset (as the asset is depreciated) and upon disposal of the asset.

(m) Dividends

Dividends are recognized as a deduction from equity in the period in which their distribution is approved and recognized as a liability to the extent it is unpaid at the reporting date. Dividends are disclosed in the notes to financial statements when their distribution is proposed after the reporting date and before the date of the issuance of the financial statements.

(n) Capital contributions in kind from shareholders

These contributions from a shareholder represent pre-paid contributions of land for which the Company obtained title deeds in respect of future issuance of shares. The amounts recorded are based on the fair value of the land.

(o) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. No provisions are provided for future operating losses.

(p) Contingent assets and liabilities

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

(b) a present obligation that arises from past events that is not recognised because:

i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

ii. the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements of the Company. They are presented in case the output of resources incorporating economic benefits is possible and not probable.

A contingent asset is a potential asset that appears as a result of previous events and whose existence will be confirmed only by the occurrence or the non-occurrence of one or more uncertain future events, which are not fully controlled by the Company.

A contingent asset is not recognized in the financial statements of the Company, but it is shown when an input of economic benefits is likely to arise.

(q) Leases

(i) The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (with a lease term of 12 months or less) and leases of low value assets (of less than USD 5,000). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the default rate in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

(ii) Rental income

Rental income from property, plant and equipment other than property investment is recognised as *Other income*. Rental income is recognised on a straight-line basis over the term of the lease.

(r) Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate is recognised initially in the separate statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associate.

When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date when the investment ceases to be an associate.

(s) Subsequent events

Events occurring after the reporting date 31 December 2022, which provide additional information about conditions prevailing at the reporting date (adjusting events) are reflected in the separate financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting date (non-adjusting events), when material, are disclosed in the notes to the separate financial statements. When the going concern assumption is no longer appropriate at or after the reporting period, the financial statements are not prepared on a going concern basis.

7 Adoption of new and revised standards and interpretations

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- Amendments to IAS 16 “Property, Plant and Equipment” - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to various standards due to “Improvements to IFRSs (cycle 2018 -2020)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated).

The adoption of amendments to the existing standards has not led to any material changes in the Company’s financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these consolidated financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- IFRS 17 “Insurance Contracts” including amendments to IFRS 17 issued by IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 17 “Insurance contracts” - Initial Application of IFRS 17 and IFRS 9 – Comparative Information, adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 12 “Income Taxes” - Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual

periods beginning on or after 1 January 2023).

Electrica SA has elected not to adopt the amendments to existing standards in advance of their effective dates. The Company anticipates that the adoption of these amendments to existing standards will have no material impact on the financial statements of the Company in the period of initial application.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of these consolidated financial statements (the effective dates stated below is for IFRS as issued by IASB):

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 "Presentation of Financial Statements" - Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- Amendments to IFRS 16 "Leases" - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),

Electrica SA anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the consolidated financial statements of the Company in the period of initial application.

8 Other income and operating expenses

(a) Other income

	2022	2021
Revenues from disposal of assets	370,774	-
Rental income	626,807	282,214
Revenues from penalties	2,183,897	-
Other	1,998,143	525,867
Total	**5,179,621**	**808,081**

(b) Other operating expenses

	2022	2021
Repair and maintenance expenses	1,363,711	487,714
Legal assistance and consulting fees	1,279,169	1,867,407
Insurance premiums	713,938	574,058
Other taxes and duties	707,159	478,089
Consumables	449,849	399,128
Travel and transportation expenses	155,015	111,330
Postage and telecommunication	61,355	95,976
Donations and sponsorships	12,357	50,000
Losses from disposal of assets	-	3,104,047
Other third party services	12,967,398	11,972,370
Other	828,661	1,249,425
Total	**18,538,612**	**20,389,544**

9 Net finance income

	2022	2021
Dividends income	-	329,543,644
Interest income	78,074,759	47,504,909
Other finance income	224,127	634,420
Total finance income	**78,298,886**	**377,682,973**
Interest expense	(12,238,993)	(179,011)
Interest cost for employee benefits (Note 12)	(181,714)	(48,814)
Foreign exchange losses, net	(20,094)	(34,718)
Total finance costs	**(12,440,801)**	**(262,543)**
Net finance income	**65,858,085**	**377,420,430**

In 2021 the Company collected the entire amount of the total income of RON 329,543,644 received as dividends from its subsidiaries.

10 Earnings per share

The calculation of basic and diluted earnings per share is based on the following profit attributable to shareholders and weighted-average number of ordinary shares outstanding:

Profit attributable to shareholders

	2022	2021
Profit for the year attributable to the shareholders of the Company	24,304,885	321,819,884
Profit attributable to the shareholders of the Company	**24,304,885**	**321,819,884**

Number of ordinary shares (in number of shares)

	2022	2021
Number of ordinary shares at 31 December	**339,553,004**	**339,553,004**

For the calculation of basic and diluted earnings per share, the own shares repurchased by the Company (6,890,593 shares) were not treated as outstanding shares and are deducted from the total number of issued ordinary shares.

	2022	2021
Basic and diluted earnings per share (RON)	**0.07**	**0.95**

11 Short-term employee benefits

	31 December 2022	31 December 2021
Personnel payables	4,974,791	5,979,013
Current portion of defined benefit liability and other long-term employee benefits	127,203	5,150,498
Social security charges	607,823	787,241
Tax on salaries	130,314	243,969
Total	**5,840,131**	**12,160,721**

Details related to employee benefit expenses are presented in Note 12.

- In Romania, all employers and employees, as well as other persons, are contributors to the state social security system. The social security system covers state pensions, child benefit, temporary incapacity for work situations, risks of work accidents and professional diseases and other social assistance services, redundancy payments and incentives granted to employers for creating new jobs.

12 Post-employment and other long-term employee benefits

The Company provides cash benefits to employees depending on seniority in the form of jubilee bonuses and depending on the years of service at retirement in the form of retirement bonuses. The post-employment and other long-term employee benefits are stipulated in the Collective Labour Contract.

In 2022 and 2021, employee benefit obligations were computed by an independent actuary using the projected unit credit method with benefits calculated proportionally to the period of service.

	31 December 2022	31 December 2021
Defined benefit liability	506,110	5,599,583
Other long-term employee benefits	716,743	601,214
Total	**1,222,853**	**6,200,797**
- Current portion*	127,202	5,150,498
- Non-current portion	1,095,651	1,050,299

*included in Personnel payables in Note 11

(i) Movement in the defined benefit liability and other long-term employee benefits

The following tables shows a reconciliation between the opening balances and the closing balances of the defined benefit liability and other long-term employee benefits and their components. There are no plan assets.

Defined benefit liability	2022	2021
Balance at 1 January	**5,599,583**	**691,940**
Included in profit or loss		
Current service cost	73,919	107,066
Past service cost	-	5,054,128
Interest cost	153,412	22,832
	227,331	**5,184,026**
Included in other comprehensive income		
Re-measurements gain		
- Actuarial gain	(1,621,494)	(269,825)
Other		
Benefits paid	(3,699,310)	(6,558)
Balance at 31 December	**506,110**	**5,599,583**

Other long-term employee benefits	2022	2021
Balance at 1 January	**601,214**	**809,724**
Included in profit or loss		
Current service cost	45,335	72,968
Actuarial gain	161,519	(268,743)
Interest cost	28,302	25,982
Other		
Benefits paid	(119,627)	(38,717)
Balance at 31 December	**716,743**	**601,214**

Defined benefits refer to the retirement bonuses granted according to the seniority within the Company and other long-term benefits refer to the jubilee bonuses granted for seniority.

(ii) Actuarial assumptions

The following are the main actuarial assumptions at the respective reporting date:

(a) Macroeconomic assumptions:

• inflation. The actuary used information from the *National Commission for Strategy and*

Prognosis:

Year	Valuation date 31 December 2022	Valuation date 31 December 2021
2022	13.9%	5.9%
2023	7.5%	3.2%
2024	4.9%	3.0%
2025	3%	2.8%
2026+	2.5%	2.5%

- the discount rate used is based on the yield of the Romanian Government bonds at the reporting date, therefore the weighted average discount rate is 8.1% for the year 2022 (2021: 5%);
- taxes and social charges are those in force as at the reporting date.

(b) Company specific assumptions:

- Starting with 2023 the gross salaries' growth was forecasted at the inflation level;
- employees' turnover: based on historical data;
- jubilee and retirement bonuses granted based on seniority as per the collective labour contracts, as follows:

Jubilee bonuses based on years of service in the Company		
Seniority	No. of gross monthly base salaries	
	31 December 2022	31 December 2021
20 years	1	1
30 years	2	2
35 years	3	3
40 years	4	4
45 years	5	5

Retirement bonuses based on years of service in the Company		
Seniority	No. of gross monthly base salaries	
	31 December 2022	31 December 2021
Between 8 and 10 years	2	2
Between 10 and 25 years	3	3
More than 25 years	4	4

Termination benefits

a. Termination benefits for individual lay-offs at the Company's initiative

In accordance with the Collective Labour Contract concluded between the Company and the Union, when individual labour contract is terminated at the Company's initiative, the Company will pay termination benefits to the employees depending on their period of service, as follows:

Seniority	No. of gross monthly average base salary at Company level
1 - 2 years	2
2 - 5 years	3
5 - 10 years	4
10 - 20 years	5
More than 20 years	8

Termination benefits for collective lay-offs at the Company's initiative

For collective lay-offs, per the Collective labour contract, the Company will pay termination benefits to the employees depending on their period of service, as follows:

Seniority	No. of gross monthly average base salary at Company level
1 - 3 years	3
3 - 5 years	6
5 - 10 years	7
10 - 20 years	11
More than 20 years	16

The above-mentioned stipulations do not apply to employees with individual labour contract concluded for a determined period. The above provisions do not apply to employees that obtained other higher cumulative salary compensation rights, provided by legal regulations regarding the Company's reorganization and restructuring. Employees who are re-employed within the Company after layoff are not entitled to the above-mentioned benefits.

Sensitivity analysis

Significant actuarial assumptions for the determination of the benefit obligation are the discount rate, expected salary increase and retirement age. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Increase by 1%		Decrease by 1%	
	2022	**2021**	**2022**	**2021**
Discount rate	(73,009)	(79,994)	73,009	79,994
Salary growth	86,944	91,879	(86,944)	(91,879)
	Increase by 1 year		**Decrease by 1 year**	
	2022	**2021**	**2022**	**2021**
Retirement age	6,828	93,596	(6,828)	(93,596)

The sensitivity analysis presented above may not be representative of the actual change in the benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of the benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the benefit obligation liability recognized in the statement of financial position.

13 Employee benefit expenses

	2022	2021
Average number of employees	72	104
Number of employees at 31 December	78	109
	2022	**2021**
Wages and salaries	25,026,080	31,429,153
Social security contributions	749,695	784,372
Meal tickets	357,755	442,500
Termination benefit for labour/ mandate contracts	4,023,428	6,583,625
Total	**30,156,958**	**39,239,650**

The number or employees at 31 December 2022 includes also the 5 employees with mandate agreements. Termination benefits represent compensation payments for management in case of mandate contracts termination. Management remuneration is presented within Note 29 – Related parties.

14 Bank borrowings and overdrafts

As at 31 December 2022, respectively 31 December 2021, the long-term bank borrowings are presented as follows:

Lender		Balance at 31 December 2022	Balance at 31 December 2021
Vista Bank		100,000,000	-
Total		**100,000,000**	**-**
Less: current portion of the long-term bank borrowings		-	-
Less: accumulated interest		-	-
Total long-term borrowings, net of current portion		**100,000,000**	**-**

On 30 December 2022, the Company concluded a contract for a line of credit for working capital and for the issuance of Bank Guarantee Letters granted by Vista Bank for a period of 18 months. The main provisions are: Maximum credit amount: 100,000 thousand RON; Interest rate: ROBOR 3M +2.95 % p.a.; full refund at maturity. On 31 December 2022, the balance of the loan is 100,000,000 RON.

As at 31 December 2022, the overdraft amount was drawn from ING Bank N.V. overdraft facility to be used in the cash pooling system. The outstanding balance of the overdraft facility as at 31 December 2022 is of RON 207,830,772 (31 December 2021: 120,541,354) (for further details please see Note 23).

15 Income tax

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. The Company considers that the accounting records for taxes due are adequate for all open fiscal years, based on assessment made by management taking into account various factors, including the interpretation of tax legislation and previous experience. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax expense in the period when such a determination is made.

(i) Amounts recognised in profit or loss

	2022	2021
Deferred tax benefit	259,439	(43,172)
Total benefit related to income tax	**259,439**	**(43,172)**

(ii) Amounts recognised in other comprehensive income

	2022			2021		
	Before tax	Tax benefit	Net of tax	Before tax	Tax benefit	Net of tax
Re-measurement of defined benefit liability	1,621,494	(259,439)	1,362,055	269,825	(43,172)	226,653
Total	**1,621,494**	**(259,439)**	**1,362,055**	**269,825**	**(43,172)**	**226,653**

(iii) Reconciliation of effective tax rate

	2022		2021	
Profit before tax		**24,045,446**		**321,776,712**
Tax using Company's domestic tax rate	**16%**	**3,847,271**	**16%**	**51,484,274**
Non-deductible expenses	9%	2,079,113	3%	9,640,583
Non-taxable income	-7%	(1,700,300)	-17%	(54,761,824)
Deductible legal reserve	-1%	(207,048)	-1%	(2,574,214)

	2022		2021	
Recognition of tax effect of previously unrecognised tax losses	-18%	(4,386,877)	-1%	(3,831,991)
Other tax effects	0%	108,402	0%	-
Total benefit related to income tax	**-1%**	**(259,439)**	**0%**	**(43,172)**

For 2021 non-taxable income represents dividend income in amount of RON 329,543,644.

Movement in deferred tax balances

				Balance at 31 December 2022		
2022	**Net balance at 1 January 2022**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	3,739,542	(93,354)	-	3,646,188	-	3,646,188
Employee benefits	(2,275,574)	929,265	259,439	(1,086,870)	(1,086,870)	-
Tax loss carried forward	(1,463,968)	(1,095,350)	-	(2,559,318)	(2,559,318)	-
Tax (assets)/ liabilities	**-**	**(259,439)**	**259,439**	**-**	**(3,646,188)**	**3,646,188**

				Balance at 31 December 2021		
2021	**Net balance at 1 January 2021**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	3,681,453	58,089	-	3,739,542	-	3,739,542
Employee benefits	(1,829,942)	(488,804)	43,172	(2,275,574)	(2,275,574)	-
Tax loss carried forward	(1,851,511)	387,543	-	(1,463,968)	(1,463,968)	-
Tax (assets)/ liabilities	**-**	**(43,172)**	**43,172**	**-**	**(3,739,542)**	**3,739,542**

Unrecognised deferred tax assets

The Company has not recognized deferred tax assets in respect of the entire cumulated tax losses as it is not probable that future taxable profits will be available against which the Company can use the benefits therefrom.

	2022	2021
Tax losses	337,136,289	356,623,017

16 Trade receivables

	31 December 2022	31 December 2021
Trade receivables, gross	161,471,282	582,938,825
Loss allowance	(160,675,756)	(582,012,952)
Total trade receivables, net	**795,526**	**925,873**

Receivables from related parties are presented in Note 29.

Trade receivables, gross, comprise:

	31 December 2022	31 December 2021
Electricity receivables from clients in litigation, insolvency or bankruptcy (mainly Oltchim, Transenergo)	134,521,414	493,474,169
Late payment penalties from clients in litigation, insolvency or bankruptcy (Oltchim)	26,506,303	88,968,313
Other	443,565	496,343
Total trade receivables, gross	**161,471,282**	**582,938,825**

The reconciliation between the opening balances and the closing balances of the impairment for trade receivables is as follows:

Loss allowance	2022	2021
Balance as at 1 January	**582,012,952**	**582,083,147**
Loss allowance recognized	-	2,220
Loss allowance used	(421,235,816)	-
Decrease in loss allowance	(101,380)	(72,415)
Balance as at 31 December	**160,675,756**	**582,012,952**

The ageing of trade receivables is presented in Note 28.

Oltchim (a state-controlled company) was an important customer of Electrica S.A. until January 2012, when the Company transferred the contract to Electrica Furnizare S.A. In January 2013, Oltchim entered into insolvency procedures and subsequently in May 2019 started the bankruptcy procedures. Due to the uncertainties regarding the recoverability of the amounts owed by this customer, the Company recognized in prior years a bad debt allowance for the entire amount receivable. During 2020, the Company adjusted the uncollected VAT in amount of RON 95,186,215 related to the doubtful receivables from Oltchim, based on the sentence of starting the bankruptcy procedures and the provisions of art. 287 of the Fiscal Code.

As of 2021, the balance of receivables with Oltchim was RON 518,938,151, bad debt allowance was also at the same amount.

By decision of the European Court in Luxembourg pronounced on 15 December 2021 (final decision being applicable as of 21 March 2022), in case T565/19, it was partially cancelled the European Commission Decision no. C (2018) 8592 from 2018, which established a series of measures regarding the recovery by Romania of the State aid granted to Oltchim S.A. By its decision, the European court cancelled a series of the measures, including the amounts considered state aid with which Electrica was registered in the table of receivables. Following the decision, the company remained registered in the table of receivables with the amount of RON 116,058,538.

Following the evolution of the bankruptcy process, on 06 April 2022, the updated table of receivables was published in BPI Tabel Oltchim, which still recognizes only the guaranteed receivables, which in the case of the company the estimated amount that remains to be recovered from the sales of assets of Oltchim SA in the completion of the bankruptcy process is RON 116,058,538 (including VAT), comprised of the base in the amount of RON 98,725,847 and respectively the VAT in the amount of RON 17,332,691.

Considering the events above, as of 31 December 2022 a part of the receivable for Oltchim in amount of RON 420,212,304 was written off as it was not recognised in the final bankruptcy table. The bad debt allowance was also adjusted with the same amount. As of 31 December 2022, the balance of receivables with Oltchim is RON 98,725,847 bad debt allowance being at the same amount.

Also, in 2022, receivables for TERMOFICARE 2000 SA in amount of RON 1,100,903 were written off as a result of closing the insolvency procedure of the debtor and removing it from the Trade Register. The bad debt allowance was also adjusted with the same amount.

Loss allowances are determined according to IFRS 9 "Financial instruments" based on "expected credit loss" model. A significant part of the loss allowances refers to clients in litigation, insolvency or bankruptcy procedures, many of them being older than five years. The Company will derecognize these receivables together with the related allowances after the finalization of the bankruptcy process. These receivables were treated separately in computing the allowance according to IFRS 9.

17 Other receivables

	31 December 2022	31 December 2021
Cash-pooling receivables	477,646,009	567,621,644
Interest receivable	22,365,439	18,319,302
Other receivables	10,740,216	9,870,962
Bad debt allowance	(9,258,597)	(11,046,264)
Total other receivables, net	**501,493,067**	**584,765,644**

Cash-pooling receivables comprises the receivable of Electrica SA as at 31 December 2022 as cash pool leader in the two cash-pooling systems set up at Group level (Note 23 and Note 29).

Interest receivable represents mainly interest to be received from related parties for the loans granted (Note 29).

The reconciliation between the opening balances and the closing balances of the impairment for other receivables is as follows:

Loss allowance	2022	2021
Balance as at 1 January	**11,046,264**	**11,046,264**
Loss allowance recognized	-	-
Loss allowance used	-	-
Decrease in loss allowance	(1,787,667)	-
Balance as at 31 December	**9,258,597**	**11,046,264**

In 2022, the allowance related to Electrica Serv S.A. in amount of RON 1,787,667, representing a legal interest, was reversed as a result of favorable court decision. The related receivables, in amount of RON 2,183,897 was cashed.

18 Cash and cash equivalents

	31 December 2022	31 December 2021
Bank current accounts	3,614,591	3,042,170
Call deposits	102,017,348	2,715,802
Total cash and cash equivalents in the separate statement of financial position	**105,631,939**	**5,757,972**
Overdrafts used for cash management purposes	-	(120,541,354)
Total cash and cash equivalents in the separate statement of cash flow	**105,631,939**	**(114,783,382)**

As at 31 December 2022, call deposits amount consists mainly of Vista Bank overnight deposit in amount of RON 99,650,000, related to long term loan whithdrawn for the issuance of Bank Guarantee Letters (please see note 14).

In the normal course of business, the Company enters into short-term credit facility with the aim of financing operational needs. Until 31 December 2021, credit facility amounting to RON 120,541,354 was presented as part of cash and cash equivalents. Following the volatility in electricity prices started in 2021 and continued in 2022, this credit facility have no longer fluctuated from negative to 0 balance, remained negative for the entire year 2022, thus the management of the Company presented this overdraft for the year ended 31 December 2022 in financing activity, and reclassified the opening balance previously presented as cash and cash equivalents. (for further details please see transfer presented in Cash Flow statement).

19 Property, plant and equipment

The reconciliation between the initial balance and the final balance of property, plant and equipment in 2022 and 2021: was as follows:

	Land and land improvement	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Gross carrying amount						
Balance at 1 January 2021	**69,682,986**	**27,006,291**	**26,434,743**	**1,174,998**	**2,134,443**	**126,433,461**
Additions	-	-	205,413	50,460	4,282,864	4,538,737
Reclassification to assets held to sale	-	-	(1,913,945)	-	-	(1,913,945)
Disposals	(302,732)	-	(7,407,038)	(6,244)	-	(7,716,014)
Balance at 31 December 2021	**69,380,254**	**27,006,291**	**17,319,173**	**1,219,214**	**6,417,307**	**121,342,239**
Additions	-	-	437,586	602,928	1,117,263	2,157,777
Transfer from construction in progress	-	-	-	8,709	-	8,709
Disposals	(2,251,504)	(4,840)	(1,361,004)	-	(8,709)	(3,626,057)
Balance at 31 December 2022	**67,128,750**	**27,001,451**	**16,395,755**	**1,830,851**	**7,525,861**	**119,882,668**
Accumulated depreciation and impairment losses						
Balance at 1 January 2021	**-**	**1,905,508**	**25,151,924**	**298,291**	**2,134,443**	**29,490,166**
Depreciation	-	371,863	595,392	147,051	-	1,114,306
Accumulated depreciation of disposals	-	-	(4,366,733)	(6,133)	-	(4,372,866)
Reversal of impairment of property, plant and equipment, net	-	-	(3,804,893)	-	-	(3,804,893)
Reclassification to assets held for sale	-	-	(1,141,954)	-	-	(1,141,954)
Balance at 31 December 2021	**-**	**2,277,371**	**16,433,736**	**439,209**	**2,134,443**	**21,284,759**
Depreciation	-	371,864	461,729	172,846	-	1,006,439
Accumulated depreciation of disposals	-	-	(1,343,194)	-	-	(1,343,194)
Impairment of property, plant and equipment	-	(4,840)	-	-	-	(4,840)
Balance at 31 December 2022	**-**	**2,644,395**	**15,552,271**	**612,055**	**2,134,443**	**20,943,164**
Net carrying amounts						
At 1 January 2021	**69,682,986**	**25,100,783**	**1,282,819**	**876,707**	**-**	**96,943,295**
At 31 December 2021	**69,380,254**	**24,728,920**	**885,437**	**780,005**	**4,282,864**	**100,057,480**
At 31 December 2022	**67,128,750**	**24,357,056**	**843,484**	**1,218,796**	**5,391,418**	**98,939,504**

As at 31 December 2022, the buildings and land include the administrative headquarter of the Company and the corresponding land, the plots of land over which the Company has obtained title deeds and the land and buildings acquired in 2020 from the subsidiary Servicii Energetice Muntenia S.A..

Measurement of fair value

The Company's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's land and buildings as at 31 December 2020 were performed by Darian DRS S.A. an independent valuer not related to the Company. Darian DRS S.A. is member of the National Association of Authorised Romanian Valuers and has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties, whenever possible and discounted cash-flows method.

The company's management does not consider that a new revaluation is necessary as at 31 December 2022, considering that there is no significant volatility of the main categories of fixed assets owned (land and buildings) between the fair value and the existing accounting value, the last revaluation being performed as at 31 December 2020.

The following table shows the valuation techniques used in measuring fair values (Level 3), as well as the significant unobservable inputs used.

Category	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Land	*Market approach* The fair value is estimated based on selling price per square meter of land of similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties, and best use). The market price is mainly based on recent transactions.	• Adjustment for liquidity, location, size.	The estimated fair value would increase/(decrease) if: • Adjustment for liquidity, location or size would be lower/(higher).
Buildings	*Market approach and discounted cash-flows (DCF) method* Buildings were evaluated using the following methods, depending on the best use and the availability and credibility of available market information: *Market approach* The market approach is based on the selling price per square meter for buildings with similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties, and best use)., adjusted liquidity, location, size etc. *The DCF method* The valuation model based on the DCF method estimates the present value of net cash flows to be generated by a building taking into account occupancy rate and annual rent. The discount rate estimation considers, inter alia, the quality of a building and its location.	• Adjustment for liquidity, location, size. • Occupancy rates (90%) • Yield rates (between 9% and 10%) • Annual rent per sqm (between 2 and 10 EUR/sqm), depending on location;	• Adjustment for liquidity, location or size would be lower/(higher). • Occupancy rates were higher/(lower) • Yield rates were lower/(higher) • Annual rent per sqm was higher/(lower)

20 Intangible assets

Intangible assets include mainly licenses and costs of implementation of the accounting system SAP and licenses for various software, as follows:

	Software and licenses	Total
Gross carrying amount		
Balance at 1 January 2021	**3,822,679**	**3,822,679**
Disposals	(1,023,055)	(1,023,055)
Balance at 31 December 2021	**2,799,624**	**2,799,624**
Additions	166,015	166,015
Disposals	(1,004,634)	(1,004,634)
Balance at 31 December 2022	**1,961,005**	**1,961,005**
Accumulated depreciation and impairment losses		
Balance at 1 January 2021	**3,549,799**	**3,549,799**
Amortisation	219,204	219,204
Accumulated amortization of disposals	(1,023,055)	(1,023,055)
Balance at 31 December 2021	**2,745,948**	**2,745,948**
Amortisation	93,502	93,502
Accumulated amortization of disposals	(1,004,634)	(1,004,634)
Balance at 31 December 2022	**1,834,816**	**1,834,816**
Net carrying amounts		
At 1 January 2021	**272,880**	**272,880**
At 31 December 2021	**53,676**	**53,676**
At 31 December 2022	**126,189**	**126,189**

21 Investments in subsidiaries

The investments in subsidiaries are presented as follows:

	31 December 2022			31 December 2021		
	Gross value	Impairment	Net	Gross value	Impairment	Net
Distributie Energie Electrica Romania S.A.	1,741,959,406	-	1,741,959,406	1,741,663,327	-	1,741,663,327
Electrica Furnizare S.A.	227,181,073	-	227,181,073	226,001,553	-	226,001,553
Electrica Serv S.A.	481,803,770	(164,368,925)	317,434,846	481,803,770	(164,368,925)	317,434,845
Servicii Energetice Oltenia S.A. (in bankruptcy)	82,033,220	(82,033,220)	-	82,033,220	(82,033,220)	-
Servicii Energetice Moldova S.A. (in bankruptcy)	106,162,492	(106,162,492)	-	106,162,492	(106,162,492)	-
Servicii Energetice Banat S.A. (in bankruptcy)	43,761,094	(43,761,094)	-	43,761,094	(43,761,094)	-
Servicii Energetice Dobrogea S.A. (in bankruptcy)	23,822,124	(23,822,124)	-	23,822,124	(23,822,124)	-
Electrica Energie Productie S.A.	124,990	-	124,990	124,990	-	124,990
Sunwind Energy S.R.L.	4,393,567	-	4,393,567	-	-	-
New Trend Energy S.R.L.	5,588,029	-	5,588,029	-	-	-

	31 December 2022			31 December 2021		
	Gross value	Impairment	Net	Gross value	Impairment	Net
Green Energy Consultancy & Investments S.R.L.	1,446,450	-	1,446,450	-	-	-
Total	**2,718,276,215**	**(420,147,855)**	**2,298,128,361**	**2,705,372,570**	**(420,147,855)**	**2,285,224,715**

Changes in Company's subsidiaries structure in 2022

On 21 March 2022, Societatea Electrica SA acquired an additional 30% of the shares and voting interests in Sunwind Energy S.R.L.. As a result, the Company's equity interest increased from 30% to 60%, granting control of Sunwind Energy S.R.L..

On 27 May 2022, Electrica SA acquired an additional 30% of the shares and voting interests in New Trend Energy S.R.L.. As a result, the Company's equity interest increased from 30% to 60%, granting control of New Trend Energy S.R.L..

On 6 September 2022, Electrica SA acquired 75% of Green Energy Consultancy & Investments S.R.L. shares granting control of the entity.

Changes in Company's subsidiaries structure in 2021

Establishment of a new Subsidiary

On 6 September 2021, is set up a new legal entity, Electrica Productie Energie S.A., organized as a joint stock company, in which Electrica SA holds a percentage of 99.9920% of the share capital and Electrica Serv S.A. holds a percentage of 0.0080% of the share capital. The object of activity is the production of electricity from renewable sources through the acquisition and development of projects, respectively the operation of electricity generation parks from renewable sources, cumulated with the development and operation of independent storage solutions that it intends to develop in the near future.

Movements in investments

During 2022 Electrica SA has increased its investments in subsidiaries, by in kind contribution to its share capital as follows: Electrica Furnizare S.A. by one plot of land in surface of 1,408 sqm for which it held property deeds with the amount of RON 1,179,520 and Distributie Energie Electrica Romania S.A. by one plot of land in surface of 352 sqm for which it held property deeds with the amount of RON 293,099. The value of the assets contributed to the share capital of the subsidiaries was established according to evaluation reports drawn up by the appointed valuation experts.

During 2021, Electrica SA has increased its investments in Electrica Furnizare S.A. subsidiary, by in kind contribution to its share capital with one plot of land in surface of 335.20 sqm for which it held property deeds with the amount of RON 218,100. The value of the assets contributed to the share capital of the subsidiary was established according to evaluation reports drawn up by the appointed valuation experts.

On 6 September 2021, is set up a new legal entity, Electrica Productie Energie S.A., organized as a joint stock company, in which Electrica SA, holds a number of 12,499 shares in amount of 124,990 RON representing 99.9920% of the share capital of Electrica Productie Energie S.A..

As regard to Electrica Serv S.A., the Company has recognized an impairment in prior years, based on a valuation report prepared by an independent valuator and having as purpose the assessment of the recoverable value of the investment in Electrica Serv S.A.. As of 31 December 2022, the management has reassessed the recoverability of the net book value of the investment in Electrica Serv S.A. and the consistency of the impairment as compared to 31 December 2021, by taking into account the value of the net assets and the assets owned and concluded that there is no indication that the investment may be additionally impaired or that the impairment should be reversed.

Due to the current situation of Electrica Furnizare SA, management has assessed the recoverability of the net book value of the investment, by taking into account the cash flow projection and the measures taken to mitigate the risks of liquidity and concluded that there is no indication that the investment may be impaired. On 31 December 2022, the financial performance has been highly improved, therefore there is no indication that the value of investment should be impaired.

The main economic and financial indicators achieved by the Company's subsidiaries on 31.12.2021

The main economic and financial indicators achieved by the Company's subsidiaries as at 31 December 2021 (the last financial year for which the statutory financial statements were approved) are as follows:

Indicators	Distributie Energie Electrica Romania S.A.	Electrica Serv S.A.		Electrica Furnizare S.A.	Electrica Energie Productie S.A.
Share capital	1,405,204,790	52,495,780	63,091,960		125,000
Total equity	4,680,176,853	373,934,733	(332,775,768)		123,514
Non-current assets	9,094,564,601	314,726,485	109,505,690		2,080
Current assets	767,311,582	117,731,151	1,299,671,935		121,739
Current liabilities	1,570,371,538	27,833,427	1,672,361,560		305
Provisions	161,499,798	12,374,950	47,086,434		-
Deferred revenue	2,070,631,645	18,620,597	2,990,270		-
Non-current liabilities	1,395,082,144	-	32,731,035		-

22 Investments in associates

On 28 July 2021 and on 7 December 2021, Electrica SA concluded four agreements for the sale-purchase of shares in four project companies having as main object of activity the production of electricity from renewable sources. The sale-purchase agreements concluded, mention the fact that in the first stage Electrica SA acquires 30% of the share capital of the four companies, remaining that in the following stages, to acquire the remaining 70% of the share capital after the conditions provided in the sale-purchase agreements will be fulfilled. By the end of 31 December 2022, two of the project companies were acquired by 60% (please see note 21), therefore they are accounted as subsidiaries, the other ones are as follows:

- **Crucea Power Park SRL**, develops the wind project "Crucea Est", with a projected installed capacity of 121 MW and a projected electricity storage capacity of 60 MWh (15 MW x 4h), located outside the Crucea area, Constanta County. The estimated purchase price for the "Crucea Est" wind project is 70 thousand EUR/MW for the aforementioned capacity, totalling the amount of 8,470 thousand EUR. On 28 July 2021, Electrica SA paid the amount of EUR 2,541 thousand representing 30% of the project value, respectively 30% of the shares of Crucea Power Park SRL;
- **Foton Power Energy SRL**, develops the photovoltaic project "Bihor 1", with a projected capacity of 77.5 MW, located near Inand city, Bihor County. The estimated purchase price for the photovoltaic project "Bihor 1" is 55 thousand EUR/MW for the aforementioned capacity, totalling the amount of 4,262.5 thousand EUR. On 7 December 2021, Electrica SA paid the amount of EUR 1,279 thousand representing 30% of the project value, respectively 30% of the shares of Foton Power Energy SRL.

Considering the holding percentage of 30%, as at 31 December 2022, the two entities are accounted for using the equity method in these separate financial statements as provided in the Company's accounting policies in note 6. The cost of the investments at acquisition date, totalling the amount of RON 18,832,565 is detailed as follows:

		Crucea Power Park S.R.L.			Foton Power Energy S.R.L.
Acquisition date		**31.07.2021**			**31.12.2021**
Percentage ownership and voting rights at acquisition date		***30%***			***30%***
Net assets at acquisition date		***(241,682)***			**(7,016)**
Company's share of net assets		**(72,505)**			**(2,105)**
Goodwill		**12,572,700**			**6,334,475**
Cost of investment at acquisition date		**12,500,195**			**6,332,370**

Summarised financial information in respect of each of the Company's associates is set out below:

	Crucea Power Park S.R.L.	Foton Power Energy S.R.L.
	31.12.2022	**31.12.2022**
Non-current assets	8,519,924	243,941
Current assets	1,141,674	35,454
Non-current liabilities	(9,885,796)	(296,391)
Current liabilities	(43,649)	(1,004)
Net assets	**(267,847)**	**(18,000)**
Reconciliation to carrying amounts:		
Opening net assets at acquisition date	**(245,780)**	**(7,016)**
Loss for the period	**(22,067)**	**(10,984)**
Closing net assets 31.12.2022	**(267,847)**	**(18,000)**
	Crucea Power Park S.R.L.	**Foton Power Energy S.R.L.**
Closing net assets of associates 31.12.2022	**(267,847)**	**(18,000)**
Share in associates %	*30%*	*30%*
Company's share of net assets as at 31.12.2022	**(80,354)**	**(5,400)**
Goodwill	**12,572,700**	**6,334,475**
Carrying amount of interest in associate 31.12.2022	**12,492,346**	**6,329,075**

The share loss in amount of RON 13,044 for the period was recognized in the separate statement of profit and loss for the year ended as at 31 December 2022.

23 Loans granted to subsidiaries

i. Loans granted to subsidiaries – long term

	Loans granted to subsidiaries	
	31 December 2022	**31 December 2021**
Distributie Energie Electrica Romania S.A.	1,276,325,000	1,276,325,000
Total loans granted to subsidiaries – long term	**1,276,325,000**	**1,276,325,000**

The Company has entered into loan agreements as lender, as follows:

- Loans granted in 2017:
- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in November 2017. Main provisions are: maximum loan amount: RON 150,000,000; Purpose of the loan: to finance the investment program of 2017; Interest rate: 2.79% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2022, the outstanding balance is of RON 150,000,000 (31 December 2021: RON 150,000,000);
- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in November 2017. Main provisions are: maximum loan amount: RON 200,000,000; Purpose of the loan: to finance the investment program of 2017; Interest rate: 2.79% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2022, the outstanding balance is of RON 200,000,000 (31 December

2021: 200,000,000);

- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in November 2017. Main provisions are: maximum loan amount: RON 160,000,000; Purpose of the loan: to finance the investment program of 2017; Interest rate: 2.79% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2022, the outstanding balance is of RON 160,000,000 (31 December 2021: RON 160,000,000).

- Loans granted in 2018:

- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in April 2018. Main provisions are: maximum loan amount: RON 230,000,000; Purpose of the loan: to finance the investment program of 2018; Interest rate: 4.7% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2022, the outstanding balance is of RON 230,000,000 (31 December 2021: RON 230,000,000);
- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in April 2018. Main provisions are: maximum loan amount: RON 160,000,000; Purpose of the loan: to finance the investment program of 2018; Interest rate: 4.7% per annum; Maturity: 84 months; Period allowed for disbursements: 12 months; Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2022, the outstanding balance is of RON 160,000,000 (31 December 2021: RON 160,000,000);
- Intragroup loan agreement with Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. (currently Distributie Energie Electrica Romania S.A.) concluded in April 2018. Main provisions are: maximum loan amount: RON 130,000,000, Purpose of the loan: to finance the investment program of 2018, Interest rate: 4.7% per annum, Maturity: 84 months, Period allowed for disbursements: 12 months, Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2022, the outstanding balance is of RON 130,000,000 (31 December 2021: RON 130,000,000).

- Loans granted in 2021:

- Intragroup loan agreement with Distributie Energie Electrica Romania S.A. concluded in October 2021. Main provisions are: maximum loan amount: RON 246,325,000, The purpose of granting this loan is the partial repayment of loans contracted from BRD in 2016 to finance the investment plan for the year 2016 which reached the maturity in October 2021, Interest rate: 3.51% per annum, Maturity: 96 months until 12.10.2029, Period allowed for disbursements: 12 months, Repayment in full at maturity; Reimbursement allowed in advance, but not earlier than the 12 months of the period of use. As at 31 December 2022, the outstanding balance is RON 246,325,000.

ii. Loans granted to subsidiaries – short term

	Loans granted to subsidiaries	
	31 December 2022	**31 December 2021**
ELectrica Furnizare S.A.	-	30,000,000
Electrica Energie Productie S.A.	41,594,188	-
Sunwind Energy S.R.L.	600,000	-
New Trend Energy S.R.L.	2,400,000	-
Green Energy Consultancy & Investments S.R.L.	440,335	-
Total loans granted to subsidiaries – short term	**45,034,523**	**30,000,000**

- Short-term loans granted in 2021:

On 23.12.2021 was concluded an intragroup loan agreement with Electrica Furnizare S.A.. Main provisions are: maximum loan amount: RON 130,000,000, The purpose of granting this loan represents the financing of the short term working capital needs, Interest rate: ROBOR 1M + 0.23 %

per annum, Maturity: 30 days until 23.01.2022 with possibility of extension. As at 31 December 2022, the outstanding balance is nil (2021: RON 30,000,000).

- Short-term loans granted in 2022:
- Intragroup loan agreement with Electrica Energie Productie S.A. concluded in July 2022. Main provisions are: maximum loan amount: RON 47,149,714 (EUR 9,541,000), The purpose of granting this loan is financing the costs for the purchase by Electrica Energie Productie S.A of 100% of the shares owned by Societatea Electrica Furnizare S.A. in Electrica Energie Verde 1 SRL, as well as the takeover of the related shareholder loans, Interest rate: ROBOR 3M + 1.16 % per annum, Maturity: 12 months until 14.07.2023, Repayment in full at maturity. As at 31 December 2022, the outstanding balance is RON 41,594,188.
- Intragroup loan agreement with Sunwind Energy S.R.L. concluded in September 2022. Main provisions are: maximum loan amount: RON 1,200,000, The purpose of granting this loan is financing the costs that are the responsibility of ELSA according to the Sale and Purchase Agreement, Interest rate: ROBOR 3M + 1.16 % per annum, Maturity: 12 months until 25.09.2023, Repayment in full at maturity. As at 31 December 2022, the outstanding balance is RON 600,0000.
- Intragroup loan agreement with Sunwind Energy S.R.L. concluded in November 2022. Main provisions are: maximum loan amount: RON 147,300,000, The purpose of granting this loan is financing the investment works necessary for the completion and operation of the "Satu Mare 2" (Botiz) photovoltaic power plant, Interest rate: ROBOR 3M + 1.16 % per annum, Maturity: 12 months until 27.10.2023, Repayment in full at maturity. As at 31 December 2022, the outstanding balance is nil.
- Intragroup loan agreement with New Trend Energy S.R.L. concluded in June 2022. Main provisions are: maximum loan amount: RON 2,400,000, The purpose of granting this loan is financing for the payment of the land set-aside fee and the related bank commissions and the partial financing of the costs for issuing a Bank Letter of Guarantee having as beneficiary the company Distributie Energie Electrica Romania SA, Interest rate: ROBOR 3M + 1.16 % per annum, Maturity: 12 months until 13.06.2023, Repayment in full at maturity. As at 31 December 2022, the outstanding balance is RON 2,400,0000.
- Intragroup loan agreement with Green Energy Consultancy & Investments S.R.L. concluded in October 2022. Main provisions are: maximum loan amount: RON 66,550,000, The purpose of granting this loan is financing the costs that are the responsibility of ELSA according to the Sale and Purchase Agreement and financing the investment works necessary for the completion and operation of the Vulturu photovoltaic power plant, Interest rate: ROBOR 3M + 1.16 % per annum, Maturity: 12 months until 26.10.2023, Repayment in full at maturity. As at 31 December 2022, the outstanding balance is RON 440,335.

iii. Cash pooling system at Group level

On 20 December 2019, between ING Bank N.V., Electrica SA and its subsidiaries were concluded two agreements for the implementation of two cash pooling schemes, as follows:

- a first system involving Electrica SA, as cash pool leader and its distribution subsidiaries (Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., Societatea de Distributie a Energiei Electrice Transilvania Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., currently Distributie Energie Electrica Romania S.A.), as participants;
- The credit facility offered by the pool leader to each participant is up to the amount of RON 180,000,000; The credit facility offered by each participant to the pool leader is up to the amount of RON 50,000,000; Interest rate: ROBOR 1M + 0.07% p.a. However, if the amounts drawn by the participants are covered both by the internal liquidity of Electrica SA, and by drawing from the credit line granted to Electrica SA, the amount of interest due by the participants to Electrica SA will be calculated using a weighted interest rate, calculated on the basis of the ROBOR Internal Rate 1M +0.07% p.a. and the ROBOR Bank Rate 1M + 0.5% p.a. The initial due date was 20.12.2020, the convention being automatically extended at the maturity of the bank facility agreement until 27.02.2023;
- a second system involving Electrica SA, as cash pool leader and its subsidiaries, Electrica Furnizare S.A., Electrica Serv S.A., Servicii Energetice Muntenia S.A (currently absorbed by Electrica Serv S.A.), Electrica Energie Verde 1 SRL (starting with 30 December 2020) as participants;
- The credit facility offered by the participants to the pool leader is up to the amount of RON 180,000,000 for Electrica Furnizare S.A.; RON 10,000,000 for Electrica Energie Verde 1 SRL; RON 50,000,000 for Electrica Serv S.A.. As at 30 November 2020 was in place the

convention in amount to RON 2,000,000 with Servicii Energetice Muntenia S.A. which was absorbed by Electrica Serv S.A. being integrated in the conventions limits applicable for Electrica SERV S.A..

- The credit facility offered by the pool leader to the participants is up to the amount of RON 245.000.000 (31 December 2020: 30,000,000 RON) for Electrica Furnizare S.A.; RON 15,000,000 (31 December 2020: RON 15,000,000) for Electrica Energie Verde 1 SRL; RON 12,000,000 (31 December 2020: RON 10,000,000) in the case of Electrica Serv S.A.. As at 30 November 2020 was in place the convention in amount to RON 2,000,000 with Servicii Energetice Muntenia S.A. which was absorbed by Electrica Serv S.A. being integrated in the conventions limits applicable for Electrica SERV S.A.
- Interest rate: ROBOR 1M + 0.07% p.a. However, if the amounts drawn by the participants are covered both by the internal liquidity of Electrica SA, and by drawing from the credit line granted to Electrica SA, the amount of interest due by the participants to Electrica SA will be calculated using a weighted interest rate, calculated on the basis of the ROBOR Internal Rate 1M +0.07% p.a. and the ROBOR Bank Rate 1M + 0.5% p.a. The initial due date was 20.12.2020, the convention being automatically extended at the maturity of the bank facility agreement until 27.01.2023;
- through which the bank will automatically transfer all available amounts existing at the end of each day in the current bank accounts of the participants to the master bank account of Electrica SA. In case the current bank accounts of the participants have a negative balance at the end of the day, the bank will transfer the necessary amounts from the master bank account of Electrica SA to the current bank accounts of the participants, so as at the end of each day the balance of the current bank accounts of the participants is nil. In case the balance of the master bank account of Electrica SA is not sufficient to cover the negative balance of the current bank accounts of the participants, the bank will make available the necessary funds from the overdraft facility that will be signed between the bank and Electrica SA.

As of 31 December 2022, the credit facility has an outstanding balance of RON 207,830,772 (31 December 2021: RON 120,541,354). For the amounts drawn/transferred to the cash pooling systems between Electrica SA and the other participants, please refer to Note 29.

24 Capital and reserves

(a) Share capital, share premium, gains and losses referring to share issue

The issued share capital in nominal terms consists of 346,443,597 ordinary shares as at 31 December 2022 (31 December 2021: 346,443,597) with a nominal value of RON 10 per share. As of 4 July 2014, after the Initial Public Offering ("IPO"), the Company's shares are listed on the Bucharest Stock Exchange and the Global Depositary Receipts are listed on the London Stock Exchange.

The shares owned by the Company's shareholders that are traded on the London Stock Exchange are the global depositary receipts (GDRs). A global depositary receipt represents four shares. The Bank of New York Mellon is the depositary bank for these securities. The GDRs' weight in Electrica's total share capital diminished following the Initial Public Offering, reaching a level of 0.7842% at the end of 2021 as compared to 10.17% at 4 July 2014.

The holders of ordinary shares are entitled to receive dividends as declared, and are entitled to one vote per share in the shareholders' meetings of the Company, except for the 6,890,593 shares purchased by the Company in July 2014 in order to stabilize the price. All shares rank equal and confer equal rights to the net assets of the Company, except for treasury shares.

The Company recognizes changes in share capital only after their approval in the General Shareholders Meeting and their registration by the Trade Register. The contributions made by the shareholders which are not yet registered with the Trade Register at year end are recognized as prepaid capital contributions from shareholders.

After IPO privatization, the Company recognized an increase of share capital of RON 1,771,887,440 and a share premium of RON 171,128,062. The transaction costs of RON 68,078,885 were deducted from the share premium.

Following the SPO that took place in November 2019, the share capital of Electrica SA was increased by in kind and cash contribution, with the amount of RON 5,036,680, from the amount of RON 3,459,399,290 to the amount of RON 3,464,435,970, by issuing a number of 503,668 new nominative and dematerialized shares with a nominal value of 10 RON/share.

The costs generated by the secondary public offering are in amount of RON 963,601. Also, the Company recorded gains referring to share issue of RON 2,185,519, resulting from the difference between the contribution value of the plots of land and their value recorded as pre-paid capital contributions in kind from shareholders.

(b) Treasury shares reserve

In July 2014, the Company purchased 5,206,593 ordinary shares and 421,000 Global Depositary Receipts, equivalent to 1,684,000 shares (totaling 6,890,593 shares). The total amount paid for acquiring the shares and Global Depositary Receipts was RON 75,372,435.

(c) Revaluation reserves

The reconciliation between opening and closing balance of the revaluation reserve is as follows:

	2022	2021
Balance at 1 January	**12,397,647**	**12,605,266**
Release of revaluation reserve to retained earnings corresponding to depreciation and disposals of property, plant and equipment	(590,943)	(207,619)
Balance at 31 December	**11,806,704**	**12,397,647**

(d) Legal reserves

The Legal reserves are set up as 5% of the gross profit for the year, until the total legal reserves reach 20% of the paid-up nominal share capital of the Company, according to the legislation. These reserves are deductible for income tax purposes and are not distributable.

As at 31 December 2022, the legal reserves were in amount of RON 229,435,101 (31 December 2021: RON 228,156,226).

(e) Dividends

The dividends distributed by the Company in 2022 and 2021 (from the statutory profits of preceding years) were as follows:

	2022	2021
Distributed dividends	152,798,852	247,873,693

On 20 April 2022, the General Shareholders Meeting of the Company approved the net distributable profit of 2021 as follows:

- Dividends to be distributed to shareholders: RON 152,798,852;
- Legal reserve (5% from 2021 pre-tax profit): RON 16,128,587;
- Other reserves: RON 152,892,445.

On 28 April 2021, the General Shareholders Meeting of the Company approved the net distributable profit of 2020 as follows:

- Dividends to be distributed to shareholders: RON 247,873,693;
- Legal reserve (5% from 2021 pre-tax profit): RON 14,935,950;
- Other reserves: RON 35,568,893.

The total amount of dividends to be distributed to shareholders in 2022 was of RON 152,798,852 (2021: RON 247,873,693). The value of dividends per share distributed to the shareholders of the Company were: RON 0.45 per share (2021: RON 0.73 per share). When calculating the dividend per share, the Company's repurchased own shares (6,890,593 shares) were not considered as outstanding shares and are deducted from the total number of issued ordinary shares.

Out of the dividends declared by the Company of RON 152,798,852 (2021: RON 247,873,693), the dividends paid were RON 152,446,574 (2021: RON 247,473,235), the remaining difference represents dividends uncollected by the shareholders.

25 Trade payables

	31 December 2022	31 December 2021
Suppliers of goods and services	4,368,115	3,402,954
Capital expenditure suppliers	128,823	464,293
Suppliers – related parties (Note 29)	247,788	167,109
Total	**4,744,726**	**4,034,356**

Payables to related parties are detailed in Note 29.

26 Other payables

	31 December 2022		31 December 2021	
	Current	Non-current	Current	Non-current
Cash-pooling payables	33,187,405	-	41,885,081	-
Dividends payable	1,716,675	-	1,715,724	-
VAT under settlement	-	-	18,302	-
Other payables to the state budget	7,304	-	6,659	-
Other liabilities	1,563,323	-	396,702	-
Total	**36,474,707**	**-**	**44,022,468**	**-**

Cash-pooling payables comprises the payable of Electrica as at 31 December 2022 as cash pool leader in the two cash-

pooling systems set up at Group level (Note 23 and Note 29).

Other liabilities include mainly guarantees and sundry creditors. Dividends payable represent the dividends uncollected by the shareholders.

In August 2020, the VAT group was established at the Electrica level in accordance with the provisions of Article 269 (9) of the Tax Code and the rules for its application, National Agency for Fiscal Administration ("NAFA") Order No. 3006/2016 on the approval of the Procedure for the implementation and administration of the single tax group. The members of the VAT group are Electrica SA and its subsidiaries. The representative of the group is Electrica Furnizare S.A., having all the reporting and VAT record obligations stipulated by the legal regulations in force for the whole group.

27 Provisions

	Litigations and other risks
Balance at 1 January 2022	**4,238,114**
Provisions recognized	304,330
Provisions utilized	(1,872,108)
Provisions reversed	(1,628,660)
Balance at 31 December 2022	**1,041,676**

The provisions balance consists of: a) provisions in amount of RON 702,088 as at 31 December 2022 (31 December 2021: RON 2,568,765) referring to the benefits granted upon the termination of executive directors' and management key personnel contracts in the form of a non-compete clause and b) provision in amount of RON 339,589 as at 31 December 2022 (31 December 2021: RON 1,669,351) referring to various litigations.

28 Financial instruments - fair values and risk management

(a) Accounting classifications and fair values

According to IFRS 9, financial assets are measured at amortized cost as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The Company doesn't have real Group guarantees, only corporate guarantees disclosed on note 31 Commitments.

The Company assessed that the carrying amount is a reasonable approximation of the fair value for the financial assets and financial liabilities.

(b) Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk;
- market risk.

These risks are further explained and detailed.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises mainly from the Company's receivables from customers, cash-pooling debtors, cash and cash equivalents, restricted cash and bank deposits.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In the past, the Company had a high credit risk mainly from State-owned companies (see Note 16).

Cash and bank deposits are placed in financial institutions, which are considered to have good creditworthiness. The carrying amount of financial assets represents the maximum credit exposure.

Trade receivables

The Company establishes an allowance for impairment that represents the amount of expected credit losses, calculated based on the expected loss rates.

Impairment

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables for customers as at 31 December 2022:

	31 December 2022				
	Expected loss rates ("ECL")	**Gross value**	**Lifetime ECL**	**Net trade receivables**	**Credit impaired**
Neither past due nor impaired	0%	708,385	-	708,385	No
Past due 1-30 days	0%	56,677	-	56,677	No
Past due 31-60 days	0%	-	-	-	No
Past due 61-90 days	0%	-	-	-	No
Past due more than 90 days	100%	160,706,221	(160,675,756)	30,464	Yes
Total		**161,471,282**	**(160,675,756)**	**795,526**	

Allowances for impairment are referring mainly to Oltchim in amount of RON 98,725,847 (31 December 2021: RON 518,938,151), Transenergo Com in amount of RON 37,085,364 (31 December 2021: RON 37,088,264) and to Fidelis Energy in amount of RON 11,220,386 (31 December 2021: RON 11,220,386). Please see Note 16.

An analysis of trade receivables from the point of view of the credit risk and expected credit losses for trade receivables for customers as at 31 December 2021, is as follows:

	31 December 2021				
	Expected loss rates ("ECL")	**Gross value**	**Lifetime ECL**	**Net trade receivables**	**Credit impaired**
Neither past due nor impaired	0%	843,715	-	843,715	No
Past due 1-30 days	0%	78,107	-	78,107	No
Past due 31-60 days	0%	-	-	-	No

	31 December 2021				
	Expected loss rates ("ECL")	**Gross value**	**Lifetime ECL**	**Net trade receivables**	**Credit impaired**
Past due 61-90 days	0%	-	-	-	No
Past due more than 90 days	100%	582,017,003	(582,012,952)	4,051	Yes
Total		**582,938,825**	**(582,012,952)**	**925,873**	

Liquidity risk

Liquidity risk is the risk that the Company might encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company has significant cash and cash equivalents so that no liquidity risk is experienced.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Company also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables.

Exposure to liquidity risk

The following table presents the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest accrued.

		Contractual cash flows			
Financial liabilities	**Carrying amount**	**Total**	**less than 1 year**	**1-2 years**	**2-5 years**
31 December 2022					
Bank overdrafts	207,830,772	207,830,772	207,830,772	-	-
Trade payables	4,744,726	4,744,726	4,744,726	-	-
Lease liability	269,610	269,610	215,561	54,049	-
Total	**212,845,108**	**212,845,108**	**212,791,059**	54,049	**-**
31 December 2021					
Bank overdrafts	120,541,354	120,541,354	120,541,354	-	-
Trade payables	4,034,356	4,034,356	4,034,356	-	-
Lease liability	513,274	513,274	394,818	62,647	55,809
Total	**125,088,984**	**125,088,984**	**124,970,528**	**62,647**	**55,809**

(ii) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency of the Company. The functional currency of the Company is the Romanian Leu (RON).

The currencies in which these transactions are primarily denominated are RON and EUR. The Company also has deposits and bank accounts denominated in foreign currency (EUR). The Company's policy is to use the local currency in its transactions as far as practically possible. The Company does not use derivative or hedging instruments.

Exposure to currency risk

The summary of the quantitative data about the Company's exposure to currency risk is as follows:

	31 December 2022	31 December 2021
In RON	denominated in EUR	denominated in EUR
Cash and cash equivalents	263,291	262,918
Lease liability	(267,657)	(509,598)
Net statement of financial position exposure	**(4,366)**	**(246,680)**

The following significant exchange rates have been applied during the year:

	Average rate		Year-end spot rate	
RON	**2022**	**2021**	**2022**	**2021**
EUR 1	4.9315	4.9204	4.9474	4,9481

Sensitivity analysis

A reasonable possible appreciation (depreciation) of the EUR against RON at 31 December would have affected the measurement of financial instruments denominated in a foreign currency, the profit before tax and the equity, respectively, by the amounts shown below. The analysis assumes that all other variables, especially the interest rates, remain constant and ignores the impact of forecasted sales and purchases.

	Profit before tax	
Effect	**Appreciation**	**Depreciation**
31 December 2022		
EUR (5% movement)	(218)	218
31 December 2021		
EUR (5% movement)	(12,334)	12,334

Interest rate risk

The Company exposures to interest rates on financial assets and financial liabilities are detailed below. The Company is exposed to the interest rate benchmark ROBOR, which is the interest rate on the Romanian interbank market. The Company does not have in place hedging contracts for interest rate.

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments is as follows:

	31 December 2022	31 December 2021
Fixed-rate instruments		
Financial assets		
Call deposits	102,017,348	2,715,802
	102,017,348	**2,715,802**
Variable-rate instruments		
Financial assets		
Cash pooling receivables (Note 23, Note 29)	477,646,009	567,621,644
Financial liabilities		
Cash pooling payables (Note 23, Note 29)	(33,187,405)	(41,885,081)
Bank overdrafts (Note 18)	(207,830,772)	(120,541,354)
Lease liability	(269,610)	(513,274)
Total	**236,358,222**	**404,681,935**

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit before tax	
	50 bp increase	50 bp decrease
31 December 2022		
Variable-rate instruments	1,181,791	(1,181,791)
31 December 2021		
Variable-rate instruments	2,023,410	(2,023,410)

29 Related parties

(a) Main shareholders

As at 31 December 2022 and 31 December 2021, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy with a share of ownership of 48.79% from the share capital.

(b) Management and administrators' compensation

	2022	2021
Management compensation	5,905,346	6,833,228

Executive management compensation refers to both the managers with mandate contract and those with labour contract, concluded with Electrica SA. This also includes the benefits in the event of the termination of mandate contracts for executive directors. The benefits paid for the termination of mandate contracts in 2022 was in amount of RON 4,569,588 (2021: 3,136,800).

Compensations granted to the members of the Board of Directors were as follows:

	2022	2021
Members of Board of Directors	2,537,558	3,887,254

Electrica SA's Board of Directors comprises 7 members. According to the remuneration policy approved by the General Meeting of Shareholders that took place 20 April 2022, the annual number of paid sessions is limited to twelve for Board of Directors meetings and to six for each of the committees. Additional committee meetings can be organized only in exceptional situations, upon the Chairs' decision, who are responsible to efficiently organize the agenda and activity. However, only one such additional meeting shall be remunerated, for each committee.

No loans were granted to managers and administrators in 2022 and 2021.

(c) Transactions with the Group companies

(i) Balance of receivables and payables from/ to Group companies:

Trade Receivables/Trade Payables

	Receivables from		Payables to	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Distributie Energie Electrica Romania S.A.	197,031	474,458	1,784	62,709
Electrica Serv S.A.	-	7,828	23,389	-
Electrica Furnizare S.A.	1,199,088	1,767	222,615	104,400
Electrica Productie Energie S.A.	848	-	-	-
Total	**1,396,967**	**484,053**	**247,788**	**167,109**

As at 31 December 2022 and 31 December 2021, receivables from electricity distribution subsidiaries include mainly other services reinvoiced.

Loans granted/interest receivable:

	Loans granted to		Interest receivable from	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Distributie Energie Electrica Romania S.A.	1,276,325,000	1,276,325,000	17,937,449	15,439,712
Electrica Furnizare S.A.	-	30,000,000	-	30,400
Electrica Energie Productie S.A.	41,594,188	-	1,657,848	-
Sunwind Energy S.R.L.	600,000	-	12,370	-
New Trend Energy S.R.L.	2,400,000	-	102,784	-
Green Energy Consultancy & Investments S.R.L.	440,335	-	3,753	-
Total	**1,321,359,523**	**1,306,325,000**	**19,714,204**	**15,470,112**

Cash-pooling system 31 December 2022:

	Amount drawn by participants	Amount contributed to by participants	Net position	Interest receivable/ (payable)
	31 December 2022	**31 December 2022**	**31 December 2022**	**31 December 2022**
Distributie Energie Electrica Romania S.A.	311,393,113	-	311,393,113	1,859,586
Electrica Furnizare S.A.	163,250,006	-	163,250,006	1,018,277
Electrica Energie Verde 1 S.R.L.	3,002,890	-	3,002,890	17,849
Electrica Serv S.A.	-	(33,187,405)	(33,187,405)	(244,477)
Total	**477,646,009**	**(33,187,405)**	**444,458,604**	**2,651,235**

Cash-pooling system 31 December 2021:

	Amount drawn by participants	Amount contributed to by participants	Net position	Interest receivable/ (payable)
	31 December 2021	**31 December 2021**	**31 December 2021**	**31 December 2021**
Distributie Energie Electrica Romania S.A.	311,620,794	-	311,620,794	602,305
Electrica Furnizare S.A.	245,000,000	-	245,000,000	540,414
Electrica Energie Verde 1 S.R.L.	11,000,850	-	11,000,850	24,345
Electrica Serv S.A.	-	(41,873,420)	(41,873,420)	(105,541)
Total	**567,621,644**	**(41,873,420)**	**525,748,224**	**1,061,523**

(ii) Transactions with subsidiaries

Sales/Purchases

	Sales in 2022	Sales in 2021	Purchases in 2022	Purchases in 2021
Distributie Energie Electrica Romania S.A.	208,879	740,664	185,938	131,742
Electrica Furnizare S.A.	1,314,408	14,471	689,704	434,915
Electrica Serv S.A.	8,782	16,909	27,056	-
Electrica Energie Productie S.A.	3,339	-	-	-
Total	**1,535,408**	**772,044**	**902,698**	**566,657**

Reimbursements / Borrowings

	Borrowings granted in 2022	Borrowings granted in 2021	Reimbursements in 2022	Reimbursements in 2021
Distributie Energie Electrica Romania S.A.	-	246,325,000	-	-
Electrica Furnizare S.A.	100,000,000	90,000,000	130,000,000	60,000,000
Electrica Energie Productie S.A.	47,540,173	-	5,945,985	-
Sunwind Energy S.R.L.	600,000	-	-	-
New Trend Energy S.R.L.	2,400,000	-	-	-
Green Energy Consultancy & Investments S.R.L.	440,335	-	-	-
Total	**150,980,508**	**336,325,000**	**135,945,985**	**60,000,000**

Interest income for loans

	Interest income 2022	Interest income 2021
Distributie Energie Electrica Romania S.A.	47,972,160	41,127,404
Electrica Furnizare S.A.	1,406,254	30,400
Electrica Energie Productie S.A.	1,711,863	-
Sunwind Energy S.R.L.	12,370	-
New Trend Energy S.R.L.	102,784	-
Green Energy Consultancy & Investments S.R.L.	3,753	-
Total	**51,209,184**	**41,157,804**

Dividends income

	Dividends income 2022	Dividends income 2021
Electrica Furnizare S.A.	-	233,293,563
Distributie Energie Electrica Romania S.A.	-	96,250,081
Total	**-**	**329,543,644**

Cash pooling system – interest income/(expense)

	Interest income/(expense)	Interest income/(expense)
	2022	**2021**
Distributie Energie Electrica Romania S.A.	18,136,075	3,344,942
Electrica Energie Verde 1 S.R.L.	464,479	223,675
Electrica Serv S.A.	(2,553,799)	(808,125)
Electrica Furnizare S.A.	10,664,680	1,193,403
Total	**26,711,435**	**3,953,895**

(d) Transactions with companies in which the state has control or significant influence

The Company had sale and purchase transactions mainly with the following companies:

	Purchases (without VAT)		Balance (including VAT)	
Supplier	**2022**	**2021**	**31 December 2022**	**31 December 2021**
ANCOM	567,684	605,644	141,921	139,758
Others	142,640	42,062	497	910
Total	**710,324**	**647,706**	**142,418**	**140,668**

	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
Client	**2022**	**31 December 2022**		
Oltchim	-	98,725,847	(98,725,847)	-
CET Braila	-	3,118,411	(3,118,411)	-
Total	-	**101,844,258**	**(101,844,258)**	-

	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
Client	**2021**	**31 December 2021**		
Oltchim	-	518,938,151	(518,938,151)	-
CET Braila	-	3,118,411	(3,118,411)	-
Total	**-**	**522,056,562**	**(522,056,562)**	-

30 Contingencies

(a) Contingent Assets

Litigation with National Agency of Fiscal Administration ("NAFA")

In May 2017, after the revision of Electrica's tax record, the tax authorities issued an enforcement order for additional interest and penalties of RON 39,248,818 as a result of certain tax record allocations for prior periods. Electrica SA filed a complaint with the tax authorities against the enforcement order and also filed a legal action to suspend the enforced payment by the resolution of the above mentioned complaint. These additional interest and penalties are related to the prior enforcement orders received by Electrica SA in the prior years of RON 72,460,387.

In February 2018, Electrica SA has obtained a favourable Supreme Court ruling in one of the litigations with NAFA, which essentially maintains into force a prior Court of Appeal decision, which is favourable for the Company.

Also, in April 2019, Electrica SA obtained another favourable decision pronounced by the Bucharest Court of Appeal in one of the disputes with NAFA, whereby the court obliges NAFA to correct the evidence of the tax receivables so that it reflects the extinction by prescription of the amount of RON 16,915,950 representing income tax as well as all the related accessories. Moreover, in November 2019, Electrica SA obtained one more favourable decision pronounced by the Bucharest Court of Appeal in one of the disputes with NAFA, whereby the court obliges NAFA to cancel the administrative documents issued regarding the accessory fiscal obligations in the amount of RON 39,248,818 and ordered the refund/ compensation of the amount and the correction of the tax record. Against this decision, NAFA filed an appeal, registered to the High Court of Cassation and Justice, with the Court term on 23 March 2022, which was finalized in favor of Electrica.

Following this final decision, the Bucharest District 1 Court reinstated another case for which, on 22 December 2022, annulled the enforceable title for the amount of RON 39,248,818 and of all subsequent enforcement acts issued in connection with the forced execution and also obliged NAFA to pay the litigation costs in the amount of RON 19,326. Against this decision, NAFA filed an appeal on 23 February 2023.

Thus, until 31 December 2022, the Company did not recognize a provision in this respect, taking into account that management's best estimate is that the Company shall be able to obtain a favourable final Court decision in this case.

(b) Contingent Liabilities

Other litigations and claims

The Company is involved in a series of litigations and claims (ie. with SAPE, ANRE, NAFA, Court of Accounts, claims for damages, claims over land titles, labour related litigations etc.).

As summarised in Note 27, the Company set-up provisions for the litigations or claims for which the management assessed as probable the outflow of resources embodying economic benefits due to low chances of favourable outcomes of those litigations or disputes. The Company does not present information in the financial statements and did not set-up provisions for items for which the management assessed as remote the possibility of outflow of economic benefits.

The Company discloses, if the case, information on the most significant items of litigations or claims for which the Company did not set-up provisions as they relate to possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Company (ie. litigations for which different inconsistent sentences were issued by the Courts, or litigations which are in early stages and no preliminary ruling was issued so far).

Fiscal environment

Tax audits are frequent in Romania, consisting of detailed verifications of the accounting records of taxpayers. Such audits sometimes take place after months, even years, from the date liabilities are established. Consequently, companies may be found liable for significant taxes and fines. Moreover, tax legislation is subject to frequent changes and the authorities sometimes demonstrate inconsistency in interpretation of the law. Income tax statements may be subject to revision and corrections made by tax authorities, generally for a five-year period after they are filled in. The company was the subject of fiscal inspections until 31 March 2013.

The Company may incur expenses related to tax adjustments related to previous years as a result of tax authorities inspections and disputes. The Company's management considers that adequate reserves were established in the separate financial statements for all the significant fiscal obligations, however a risk that the tax authorities could take different positions still persists.

(c) Transfer prices

According to the fiscal legislation, the fiscal assessment for a transaction with affiliates is based on the market price concept for that transaction. Based on this concept, the transfer prices must be adjusted in order to reflect the market prices that would have been established between the entities having no affiliation relation and are acting independently, based on "normal market conditions".

Likely, verifications of the transfer prices may be done in the future by the fiscal authorities, in order to establish if these prices are respecting the principle of the "normal market conditions" and that the tax base for Romanian taxpayer is not distorted.

31 Commitments

a) Contractual commitments

Contractual commitments as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Purchase of property, plant and equipment, intangible assets and other maintenance and repairs services	-	22,568
Purchase of investments	289,635,733	60,484,337
Total	**289,635,733**	**60,506,905**

b) Guarantees and pledges

The Company has a facility for issuing bank guarantee letters in the amount of RON 200,000,000 contracted from Unicredit Bank and which is used at Group level, out of which the used amount as of 31 December 2022 is RON 133,660,068 (31 December 2021: RON 161,394,730). The maturity of the facility is on 31 December 2030. Also, the Company issued parenting guarantees for Electrica Furnizare S.A. in total amount of RON 367,234,402.

c) Audit fees

The audit fees for the individual financial statements were in amount of 25 thousand RON, and during the year 2022, non-audit services fees were in amount of 25 thousand RON (limited review of the interim separate financial statements).

32 Subsequent events

Vulturu project

The project of company Green Energy Consultancy & Investments S.R.L, having as main object of activity the production of energy from photovoltaic sources, was acquired 100% on 6 February 2023, until 31 December 2022 was acquired 75% (please see note 1). The fair value of the project is the actual sale price of RON 2,636,214. Green Energy Consultancy & Investments S.R.L. develops the photovoltaic project "Vulturu", with a designed installed capacity of 12 MWp DC (peak power at the panels level) and 9.75 MW AC (authorised power for delivery into the grid), located near Vulturu locality, Vrancea county. The project is in the "ready-to-build" phase.

Chief Executive Officer	Chief Financial Officer
Alexandru - Aurelian Chirita	Stefan Alexandru Frangulea

07 March 2023

Independent Auditor's Report on the 2022 Separate Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
SOCIETATEA ENERGETICA ELECTRICA S.A.

Report on the Audit of the Separate Financial Statements

Opinion

1. We have audited the separate financial statements of Societatea Energetica Electrica S.A. ("the Company"), with registered office in Bucharest, District 1, Street Grigore Alexandrescu, No. 9, identified by unique tax registration code 13267221, which comprise the separate statement of financial position as at December 31, 2022, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the separate financial statements.

2. The separate financial statements as at December 31, 2022 are identified as follows:

• Net assets/ Equity	RON	3,996,376,488
• Net profit for the financial year	RON	24,304,885

3. In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2022, and its separate financial performance and its separate cash flows for the year then ended in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named "the Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

5. We draw attention to Note 2 to the separate financial statements which states that Company is the parent company of Electrica Group and that consolidated financial statements of Electrica Group prepared in accordance with International Financial Reporting Standards as adopted by EU have not yet been published. Notes 2 to the separate financial statements explain when consolidated financial statements will be published. Our opinion is not modified in respect of this matter

Key Audit Matters

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Key audit matters	How our audit addressed the key audit matter
Going Concern As presented in Note 6 the separate financial statements have been prepared on the going concern basis. The key judgement leading to this conclusion are set out in that note. In particular the subsidiaries of the Company operate in the electricity distribution and supply industry which is currently affected by the compensation and ceiling laws on sales to end customers. The Romanian authorities regulatory position is under review and there may be further laws enacted which could adversely impact the subsidiaries of the Company's operating cash flows. In the forthcoming twelve months the subsidiaries will need to obtain additional financing and given the position of the Group and its significance to the Romanian economy management expect that all necessary financing will be made available. The ability of the Company to continue as a going concern is dependent on the ability of its subsidiaries to continue as a going concern. The ability of the subsidiaries of the Company to continue as a going concern is dependent on successful completion of the new financing and on stabilizing of the regulatory regime on energy prices as described in note 6, which provides an appropriate margin to support servicing of the subsidiaries of the Company and Company's short and long term financings. In view of the significant judgements the application and disclosures of the basis of the going concern assumption are considered a Key Audit Matter.	We have assessed managements valuation of the going concern assumption by performing the following procedures: • We have obtained the cash flow forecasts and critically challenged the management and the Board of Directors and Audit Committee on the assumptions used; • We considered whether at the date of this report additional information exist from the Romanian authorities with respect to the capping mechanism; • We have assessed the Company's subsidiaries and Company's position on the existing debt facilities, covenant compliance and newly negotiated debt facilities, during 2023 until the date of this report; • We considered the Company's subsidiaries and Company's requirements to secure additional financing in light of its position in the Romanian market; • We assessed the adequacy of the disclosure of the basis of going concern assumption, including the key judgements adopted;

Other information - Administrator's Report

7. The administrator is responsible for preparation and presentation of the other information. The other information comprises the Administrator's report and the Remuneration Report, but does not include the consolidated and separate financial statements and our auditor's report thereon, nor the non-financial information declaration being presented in a separate report.

   Our opinion on the separate financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

   In connection with our audit of the separate financial statements for the year ended December 31, 2022, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   With respect to the Administrator's report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20.

   With respect to the Remuneration report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, articles. no. 106 – 107.

   On the sole basis of the procedures performed within the audit of the separate financial statements, in our opinion:

   a) the information included in the administrators' report for the financial year for which the separate financial statements have been prepared is consistent, in all material respects, with these separate financial statements;

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b) the administrators’ report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20;

c) the Remuneration report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, articles. no. 106 – 107.

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the separate financial statements prepared as at December 31, 2022, we are required to report if we have identified a material misstatement of this Administrator’s report and Remuneration Report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

8. Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the separate financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

10. Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Separate Financial Statements

11. Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

12. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

16. We have been appointed by the General Assembly of Shareholders on April 28, 2021 to audit the separate financial statements of Societatea Energetica Electrica S.A. for the financial year ended December 31, 2022. The uninterrupted total duration of our commitment is 5 years, covering the financial years ended December 31, 2018 and December 31, 2022.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.

- No **non-audit services** referred to in Article 5 (1) of EU Regulation No. 537 / 2014 were provided.

The engagement statutory auditor on the audit resulting in this independent auditor's report is Razvan Ungureanu.

Razvan Ungureanu, Statutory Auditor

For signature, please refer to the original signed Romanian version.

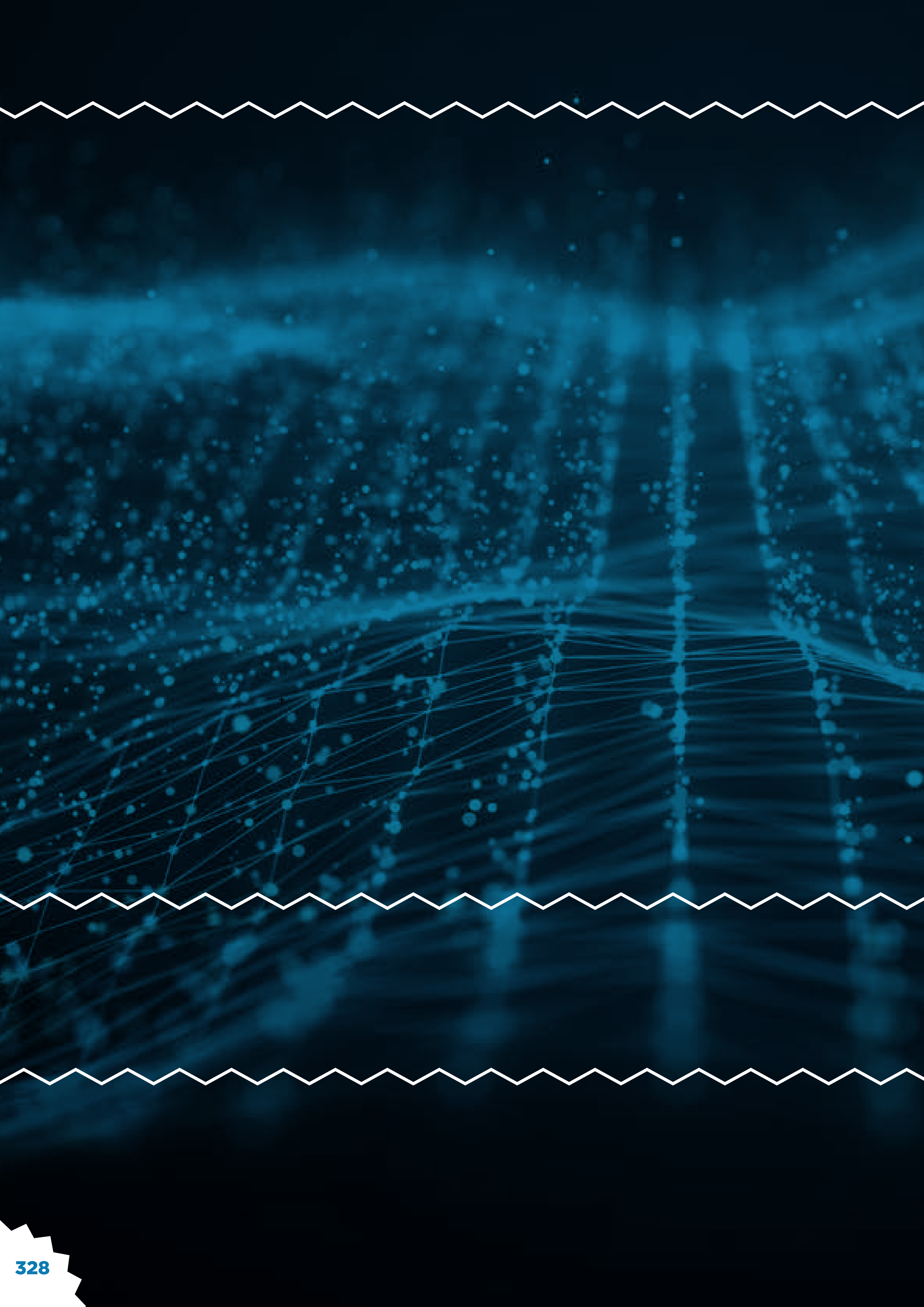
Registered in the Electronic Public Register of Financial Auditors and Audit Firms under AF 4866

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under FA 25

The Mark Building, 84-98 and 100-102 Calea Griviței, 9th Floor, District 1
Bucharest, Romania
March 7, 2023



2022 Consolidated Financial Statements (OMFP 2844/2016)

2022 Consolidated Financial Statements (OMFP 2844/2016)

SOCIETATEA ENERGETICA ELECTRICA S.A.
Consolidated Financial Statements
as at and for the year ended
31 December 2022
prepared in accordance with
OMFP no. 2844/2016

Content

AS AT 31 DECEMBER 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Intangible assets related to concession arrangements	23	5,675,866	5,514,557
Intangible assets from the capitalization of own technological consumption	23	951,557	-
Other intangible assets	23	12,854	8,983
Goodwill	31	12,040	-
Property, plant and equipment	22	499,390	505,419
Investments in associates	24	18,824	25,810
Other investments		7,000	-
Deferred tax assets	17	30,180	83,531
Other non-current assets		2,393	1,661
Right of use assets		52,152	20,945
Total non-current assets		**7,262,256**	**6,160,906**
Current assets			
Trade receivables	18	2,466,002	1,344,619
Subsidies receivable	11	1,280,788	-
Other receivables	19	127,253	48,600
Cash and cash equivalents	20	334,887	221,830
Inventories	21	113,972	72,958
Prepayments		13,874	5,034
Current income tax receivable		24,000	23,777
Assets held for sale		280	5,412
Total current assets		**4,361,056**	**1,722,230**
Total assets		**11,623,312**	**7,883,136**
EQUITY AND LIABILITIES			
Equity			
Share capital	25	3,464,436	3,464,436
Share premium	25	103,049	103,049
Treasury shares reserve	25	(75,372)	(75,372)
Pre-paid capital contributions in kind from shareholders	25	7	7
Revaluation reserve	25	92,117	102,829
Legal reserves	25	429,583	408,405
Retained earnings		1,353,942	950,228
Total equity attributable to the owners of the Company		**5,367,762**	**4,953,582**
Non-controlling interests	31	**(516)**	-
Total equity		**5,367,246**	**4,953,582**

(continued on next page)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (OMFP 2844/2016)
AS AT 31 DECEMBER 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	31 December 2022	31 December 2021
Liabilities			
Non-current liabilities			
Lease liability – long term		34,462	12,102
Deferred tax liabilities	17	212,555	161,926
Employee benefits	15	117,269	149,177
Other payables	27	72,432	32,732
Long-term bank borrowings	29	647,193	118,756
Total non-current liabilities		**1,083,911**	**474,693**
Current liabilities			
Current portion of long-term bank borrowings	29	113,520	509,733
Lease liability – short term		19,211	9,442
Bank overdrafts	29	2,571,037	627,402
Trade payables	26	1,407,097	891,335
Other payables	27	867,536	271,263
Deferred revenue		24,750	9,662
Employee benefits	14,15	114,174	101,102
Provisions	28	53,701	34,922
Current tax liabilities		1,129	-
Total current liabilities		**5,172,155**	**2,454,861**
Total liabilities		**6,256,066**	**2,929,554**
Total equity and liabilities		**11,623,312**	**7,883,136**

The accompanying notes are an integral part of these consolidated financial statements.

Chief Executive Officer Alexandru - Aurelian Chirita

Chief Financial Officer Stefan Alexandru Frangulea

07 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (OMFP 2844/2016)
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts are in THOUSAND RON, except per share data)

	Note	2022	2021
Revenue	9	10,009,896	7,178,864
Capitalised costs of intangible non-current assets		989,291	-
Other income	11	2,840,963	195,771
Electricity and natural gas purchased	10	(10,506,809)	(5,694,724)
Construction costs related to concession agreements	23	(593,490)	(485,813)
Employee benefits	16	(823,422)	(802,676)
Repairs, maintenance and materials		(88,229)	(102,356)
Depreciation and amortization	22,23	(533,987)	(480,830)
Impairment for trade and other receivables, net	18,19	(112,311)	(70,616)
Other operating expenses	11	(352,971)	(343,147)
Operating profit/(loss)		**828,931**	**(605,527)**
Finance income	12	9,718	2,647
Finance costs	12	(174,713)	(29,528)
Net finance cost		**(164,995)**	**(26,881)**
Share of results of associates	25	(13)	(3)
Profit/(Loss) before tax		**663,923**	**(632,411)**
Income tax benefit/(expense)	17	(105,078)	79,529
Profit/(Loss) for the year		**558,845**	**(552,882)**
Profit/(Loss) for the year attributable to:			
– owners of the Company		**558,954**	(552,882)
– non-controlling interests		**(109)**	**-**
Profit/(Loss) for the year		**558,845**	**(552,882)**
Earnings/(Loss) per share			
Basic and diluted earnings/(loss) per share (RON)	13	**1.65**	**(1.63)**

The accompanying notes are an integral part of these consolidated financial statements.

Chief Executive Officer
Alexandru - Aurelian Chirita

Chief Financial Officer
Stefan Alexandru Frangulea

07 March 2023

(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	2022	2021
Profit/(Loss) for the year		**558,845**	**(552,882)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements of the defined benefit liability	15	9,503	(5,891)
Tax related to re-measurements of the defined benefit liability	17	(1,479)	(45)
Other comprehensive income/(loss), net of tax		**8,024**	**(5,936)**
Total comprehensive income/(loss)		**566,869**	**(558,818)**
Total comprehensive income/(loss) attributable to:			
– owners of the Company		566,978	(558,818)
– non-controlling interests		(109)	-
Total comprehensive income/(loss)		**566,869**	**(558,818)**

The accompanying notes are an integral part of these consolidated financial statements.

Chief Executive Officer
Alexandru - Aurelian Chirita

Chief Financial Officer
Stefan Alexandru Frangulea

07 March 2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (OMFP 2844/2016)
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	Total equity	Non-controlling interests	Total equity
Balance at 1 January 2022		**3,464,436**	**103,049**	**(75,372)**	**7**	**102,829**	**408,405**	**950,228**	**4,953,582**	-	**4,953,582**
Comprehensive income											
Profit for the year		-	-	-	-	-	-	558,954	558,954	(109)	**558,845**
Other comprehensive profit		-	-	-	-	-	-	8,024	8,024	-	**8,024**
Total comprehensive profit		**-**	**-**	**-**	**-**	**-**	**-**	**566,978**	**566,978**	**(109)**	**566,869**
Transactions with owners of the Company											
Contributions and distributions											
Dividends to the owners of the Company	26	-	-	-	-	-	-	**(152,798)**	**(152,798)**	-	**(152,798)**
Total transactions with owners of the Company		**-**	**-**	**-**	**-**	**-**	**-**	**(152,798)**	**(152,798)**	-	**(152,798)**
Other changes in equity											
Set up of legal reserves	26	-	-	-	-	-	21,178	(21,178)	**-**	-	**-**
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	26	-	-	-	-	(10,712)	-	10,712	-	-	-
Acquisition of subsidiary with non-controlling interests	32	-	-	-	-	-	-	-	-	(407)	(407)
Balance at 31 December 2022		**3,464,436**	**103,049**	**(75,372)**	**7**	**92,117**	**429,583**	**1,353,942**	**5,367,762**	**(516)**	**5,367,246**

(continued on next page)

(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	Total equity	Non- controlling interests	Total equity
Balance at 1 January 2021		**3,464,436**	**103,049**	**(75,372)**	**7**	**116,372**	**392,276**	**1,759,506**	**5,760,274**		
Comprehensive income											
Loss for the year		-	-	-	-	-	-	(552,882)	**(552,882)**		
Other comprehensive loss		-	-	-	-	-	-	(5,936)	**(5,936)**		
Total comprehensive loss		**-**	**-**	**-**	**-**	**-**	**-**	**(558,818)**	**(558,818)**		
Transactions with owners of the Company											
Contributions and distributions											
Dividends to the owners of the Company	26	-	-	-	-	-	-	(247,874)	**(247,874)**		
Total transactions with owners of the Company		**-**	**-**	**-**	**-**	**-**	**-**	**(247,874)**	**(247,874)**		
Other changes in equity											
Set up of legal reserves	26	-	-	-	-	-	16,129	(16,129)	**-**		
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	26	-	-	-	-	(13,543)	-	13,543	-		
Balance at 31 December 2021		**3,464,436**	**103,049**	**(75,372)**	**7**	**102,829**	**408,405**	**950,228**	**4,953,582**		

The accompanying notes are an integral part of these consolidated financial statements.

Chief Executive Officer
Alexandru - Aurelian Chirita

Chief Financial Officer
Stefan Alexandru Frangulea

07 March 2023

CONSOLIDATED STATEMENT OF CASH FLOWS (OMFP 2844/2016) FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	2022	2021
Cash flows from operating activities			
Profit/(Loss) for the year		**558,845**	**(552,882)**
Adjustments for:			
Depreciation	22	19,915	21,118
Amortisation	23	514,203	459,712
Capitalised costs of intangible non-current assets	23	(989,291)	-
Reversal of impairment of property, plant and equipment and intangible assets, net	22,23	(5)	(3,942)
(Gain)/Loss on disposal of property, plant and equipment and intangible assets	22,23	(393)	2,651
Impairment of trade and other receivables, net	18,19	112,311	70,616
Impairment of assets held for sale		-	646
Change in provisions, net	28	18,779	15,684
Net finance cost	12	164,995	26,881
Changes due to employee benefits	14	(4,358)	5,054
Share of loss of associates	24	13	3
Income tax expense/(benefit)	17	105,078	(79,529)
		500,092	**(33,988)**
Changes in:			
Trade receivables		(1,286,734)	(391,401)
Subsidies receivable		(1,280,788)	-
Other receivables		(138,335)	(22,904)
Prepayments		(8,840)	(2,217)
Inventories		(41,014)	(2,892)
Trade payables		494,611	274,825
Other payables		722,407	32,504
Provisions and employee benefits		(6,454)	3,166
Deferred revenue		15,088	4,033
Cash used in operating activities		**(1,029,967)**	**(138,874)**
Interest paid		(149,397)	(24,110)
Income tax paid		(1,232)	(31,366)
Net cash flow used in operating activities		**(1,180,596)**	**(194,350)**

(Continued on next page)

(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	2022	2021
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		(8,295)	(10,490)
Payments for network construction related to concession agreements	23	(537,782)	(483,808)
Payments for purchase of other intangible assets		(7,829)	(6,306)
Proceeds from sale of property, plant and equipment		614	1,469
Interest received		2,847	1,765
Acquisition of investments in associates	24	(3)	(25,813)
Payments for acquisition of subsidiaries, net of cash acquired	31	(4,452)	-
Restricted cash	20	-	320,000
Net cash flow used in investing activities		**(554,900)**	**(203,183)**
Cash flows from financing activities			
Proceeds from long-term bank borrowings	29	217,561	234,690
Proceeds from overdrafts		1,900,371	-
Repayment of long-term bank loans	29	(92,925)	(385,851)
Payment of lease liabilities		(24,163)	(15,226)
Dividends paid	25	(152,291)	(247,615)
Net cash generated from(used in)/ financing activities		**1,848,553**	**(414,002)**
Net increase/(decrease) in cash and cash equivalents		**113,057**	**(811,535)**
Cash and cash equivalents at 1 January	20	(405,572)	405,963
Reclassification of overdrafts previously presented as cash and cash equivalents	20	627,402	-
Cash and cash equivalents at 31 December	20	**334,887**	**(405,572)**

The accompanying notes are an integral part of these consolidated financial statements.

The non-cash transactions are disclosed in Note 20.

Chief Executive Officer
Alexandru - Aurelian Chirita

Chief Financial Officer
Stefan Alexandru Frangulea

07 March 2023

(All amounts are in THOUSAND RON, if not otherwise stated)

1 Reporting entity and general information

(a) General information about the Group

These financial statements are the consolidated financial statements of Societatea Energetica Electrica S.A. ("the Company" or "Electrica SA") and its subsidiaries (together "the Group") as at and for the year ended 31 December 2022.

The registered office of the Company is no. 9, Grigore Alexandrescu Street, District 1, Bucharest, Romania. The Company has sole registration code 13267221 and Trade Register registration number J40/7425/2000.

As at 31 December 2022 and 31 December 2021, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy with a share of ownership of 48.79% from the share capital.

The Company's shares are listed on the Bucharest Stock Exchange and the global depository receipts ("GDRs") are listed on the London Stock Exchange. The shares traded on the London Stock Exchange are the global depositary receipts, one global depositary receipt representing four shares. The Bank of New York Mellon is the depositary bank for these securities.

As at 31 December 2022 and 31 December 2021, the Company's subsidiaries are the following:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2022	% shareholding as at 31 December 2021
Distributie Energie Electrica Romania S.A. ("DEER")	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	99.99999929%	99.99999929%
Electrica Furnizare S.A.	Electricity and natural gas supply	28909028	Bucuresti	99.9998444099934%	99.9998415011992%
Electrica Serv S.A.	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	99.99998095%	99.99998095%
Electrica Productie Energie S.A.	Electricity generation	44854129	Bucuresti	99.9920%	99.9920%
Electrica Energie Verde 1 SRL* ("EEV1" – formerly Long Bridge Milenium SRL)	Electricity generation	19157481	Bucuresti	100%*	100%*
Sunwind Energy S.R.L.	Electricity generation	42910478	Constanta	60%	-
New Trend Energy S.R.L.	Electricity generation	42921590	Constanta	60%	-
Green Energy Consultancy & Investments S.R.L.	Electricity generation	29172101	Prahova	75%	-

*indirect shareholding - Electrica Energie Verde 1 SRL is 100% owned by the subsidiary Electrica Productie Energie S.A.

As at 31 December 2022 and 31 December 2021, the Company's associates are the following:

Associate	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2022	% shareholding as at 31 December 2021
Crucea Power Park SRL	Electricity generation	25242042	Constanta	30%	30%
Sunwind Energy SRL	Electricity generation	42910478	Constanta	-	30%
New Trend Energy SRL	Electricity generation	42921590	Constanta	-	30%
Foton Power Energy S.R.L.	Electricity generation	43652555	Constanta	30%	30%

Changes in Group structure during 2022

Acquisition of shares in subsidies

On 21 March 2022, the Group acquired an additional 30% of the shares and voting interests in Sunwind Energy S.R.L.. As a result, the Group's equity interest increased from 30% to 60%, granting control of Sunwind Energy S.R.L.. (for further details please see Note 31).

On 27 May 2022, the Group acquired an additional 30% of the shares and voting interests in New Trend Energy S.R.L.. As a result, the Group's equity interest increased from 30% to 60%, granting control of New Trend Energy S.R.L.. (for further details please see Note 31).

On 6 September 2022, Electrica acquired 75% of Green Energy Consultancy & Investments S.R.L. shares granting control of the entity (for further details please see Note 31).

Group's main activities

The main activities of the Group include operation and construction of electricity distribution networks and electricity and natural gas supply to final consumer as well as energy production from renewable sources. The Group is the electricity distribution operator and the main electricity supplier in Muntenia Nord area (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties), Transilvania Nord area (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita Nasaud counties) and Transilvania Sud area (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties), operating with transformation station and 0.4 kV to 110 kV power lines.

The Company's distribution subsidiary, Distributie Energie Electrica Romania S.A. which resulted from the merger through absorption of the three distribution subsidiaries Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. now operates electric lines in 18 counties, from three geographical areas of the country, representing 40.7% of the Romanian territory, and serves over 3.8 million users. It invoices the electricity distribution service to electricity suppliers (mainly to Electrica Furnizare S.A. subsidiary) which further invoices the electricity consumption to final consumers.

Electrica Furnizare S.A. is active on both the competitive market and as the supplier of last resort for aprox. 3.5 million clients (defined as supplier designated by the regulatory authority to deliver the universal service of electricity supply under specific regulated conditions) in Muntenia Nord, Transilvania Nord and Transilvania Sud areas. In 2022 Electrica Furnizare S.A. was supplier of last resort (SoLR) nominated for electricity in February, March, July and December. For the natural gas supply activity, EFSA was SoLR nominated in September 2022. At the same time, Electrica Furnizare S.A. ensures the supply of electricity for household customers supplied under universal service regime.

Through the acquisition of the new subsidiary Electrica Energie Verde 1 S.R.L. (formerly Long Bridge Milenium S.R.L.) as of 31 August 2020, establishment of a new legal entity Electrica Productie Energie S.A. and also the five shares sales and purchase agreements in five project companies having as main activity the production of energy from renewable sources the Group entered on the electricity generation segment, in particular from renewable sources.

Electrica Energie Verde 1 S.R.L. is a producer of electricity from renewable sources, operating a photovoltaic park in Stanesti, Giurgiu county, with an installed capacity of MW 7.5 (operating capacity limited MW to 6.8). In 2022 the operation of the plant was continuous, with no significant events leading to production shutdowns, producing in total MWh 10,466 (2021: MWh 9,767). According to Law no. 220/2008 and based on the accreditation issued by ANRE, Stanesti park receives a number of 6 green certificates ("GC") for each MWh produced and delivered, of which until 2020, 4 GC were issued for trading and 2 GC were postponed (the amendment is introduced by Law no. 184/2018). The postponed green certificates will be reinserted starting from 1 January 2021, in equal monthly tranches until 31 December 2030.

(b) Regulations in the energy sector

Regulatory environment

The activity in the energy sector is regulated by the Romanian Energy Regulatory Authority.

Some of the main responsibilities of ANRE are to approve prices and tariffs and to issue substantiation methodologies used to set regulated prices and tariffs.

Electricity distribution

In 2019, a new regulatory period began, governed by the provisions of ANRE Order no. 169/2018 for the approval of the Methodology for establishing the tariffs for the electricity distribution service (IV regulatory period: 2019-2023).

The following items are considered by ANRE when setting the target revenue for one year of the regulatory period: controllable and non-controllable operating and maintenance costs; costs of electricity purchased for own technological consumption (related to distribution network); regulated depreciation charge; the return on the regulated assets base ("RAB"); revenues from reactive energy and revenues from other activities, as well as corrections from previous periods.

Starting with 13 May 2020, the regulated rate of return („RRR") of BAR is 6.39% to which is added:

- 1% incentive for new investments in RED, approved by ANRE;
- 2% incentive for investments in the electricity distribution network financed from own funds in projects in which European non-reimbursable funds are also attracted, if the investments are performed and put into function by operators after 1 February 2021, approved by ANRE;
- 1% incentive for investments in projects of common interest (PIC), approved by ANRE.

Regarding the costs of electricity purchased for own technological consumption ("NL"):

- ANRE has the right to correct the projection of distribution tariffs for a regulatory period or for one year, if there have been significant variations in prices on the electricity market, which lead to an important change in distribution service costs;
- at the justified request of the Distribution Operator, the regulated revenue of year t + 1 may include a cost adjustment of regulated network losses ("NL") forecast for year t + 1, by changing the reference price, depending on the evolution of prices on the electricity market and the result of the analysis of the evolution of tariffs for the current regulatory period.

In 2022, according to the Government's emergency ordinance (GEO) no. 119/2022, the additional costs for purchased electricity (determined as the difference between the realized costs and the costs included in the approved distribution tariffs), made between 1 January 2022 and 31 August 2023, in order to cover the own technological consumption, compared to the costs included in the tariffs regulated (and not only borrowings), are capitalized quarterly and remunerated with 50% of the regulated rate of return (RRR) approved by ANRE, applicable during the amortization period of the respective costs and are recognized as a distinctive component in the regulated tariffs, called the component related to additional costs with NL. Also, ANRE elaborated the Methodological norms regarding the recognition in the tariffs of the additional costs with the acquisition of electricity for covering the network losses compared to the costs included in the regulated tariffs, the purpose of these norms is to establish the substantiation of additional costs with the purchase of electricity to cover the NL, as well as the conditions for their recognition in the regulated income, based on which the distribution tariffs are established.

According to the Government's Emergency Ordinance ("GEO") no. 153/2022 during the period 1 January 2023 – 31 March 2025 is established the centralized electricity purchasing mechanism, OPCOM being designated the sole purchaser. The distribution operators ("OD") will buy from OPCOM through an annual/monthly mechanism at least 75% of the quantity forecasted and validated by National Authority for Energy Regulation ("ANRE") at the price of 450 RON/MWh, and the producers will sell to OPCOM through annual/monthly mechanism 80% of the quantity forecasted and validated by ANRE and Transelectrica at the price of 450 RON/MWh.

Tariff adjustments

Annually, ANRE makes revenue corrections due to: change in the quantities of electricity distributed compared to the forecast; change in quantities and acquisition price for the regulated own technological consumption compared to the forecast; the annual change in controllable operating and maintenance costs, realized and accepted against the forecast; annual change in uncontrollable operating and maintenance costs compared to the forecast; changes in revenues from reactive energy compared to the forecast; failure to meet/exceeding the approved investments programme; revenues generated from other operations made by the distribution operator and the quantity of electricity recovered from recalculations.

The regulator establishes through the regulated income and tariffs for the following year taking into account the justified corrections presented above, which are added algebraically to the income for the following year. The group does not recognize assets and liabilities resulting from regulation in relation to these deficits or surpluses, as the differences are recovered or returned through the annual tariff changes, except the capitalised costs with own technological consumption. The difference between the purchase price of electricity for own technological consumption versus the ex-ante purchase price recognized by ANRE in the related regulated tariffs 2022 related to the purchase of electricity and natural gas, made between 1 January 2022 and 31 August 2023, in order to cover the own technological consumption (NL) for economic operators for energy transport and distribution services are capitalised. These are recognized as a distinctive component in the regulated tariffs, named component related to additional network losses costs.

Electricity supply

The regulatory framework has undergone significant changes over the past decade, including the liberalization of electricity and natural gas markets, the separation of supply and distribution activities, the implementation of the support scheme for renewable energy, the support of electricity prosumers and the capping of prices to final customers.

In 2022 the electricity market was completely liberalized for all categories of customers and the price was established by suppliers through free market mechanisms, both for universal service offers and for the offers related to the competitive market.

Regulated market

Starting with 1 November 2021, in the context of the increase in prices for the electricity and natural gas markets at international and national level, the energy crisis, as well as the effects caused by these increases among the population, in Romania, a series of support measures for electricity and natural gas customers have been applied, by establishing compensation and capping schemes between 1 November 2021 and 31 March 2025.

Competitive market

Transactions on the competitive wholesale market are transparent, public, centralised and non-discriminatory. Participants to the wholesale market can trade electricity based on the bilateral contracts concluded on the dedicated markets.

The following support mechanisms have been put in place:

- compensation of household consumers for part of the costs incurred by the electricity invoices (1 November 2021 until 31 March 2022);
- capping the selling price for household and non-household consumers (1 November 2021 – 31 March 2025);
- exemption (1 November 2021 until 31 January 2022) of several types of non-household consumers from payment of regulated tariffs and other taxes/contributions.

The amounts compensated will be received from the National Agency for Payments and Social Inspection for household consumers and a from the Ministry of Energy for non-household consumers. (for further details please refer to Note 18)

Over 2022, several changes have been brought to the legislation, having a significant impact on the supply of electricity, as follows:

- The withdrawal of the capped price for electricity for household customers with consumption over 255 KWh/month and the limitation of the capped price for non-domestic customers (limitation of both the quantities and categories of non-domestic customers);
- The limitation of the average purchase price considered for determining the amounts to be recovered from the state budget to 1,300 RON/MWh; except of the purchase intended for supply as a last resort, where this limitation does not apply;
- The obligation to store natural gas of a minimum 30% of the natural gas required for the consumption of final customers from their own portfolio;
- The obligation of natural gas producers to sell at the price of 150 RON/MWh the necessary

quantities to the suppliers of domestic customers/heat energy producers.

- On 1 January 2023 - 31 March 2025, the centralized electricity purchase mechanism (MACEE) is established.
- The mechanism provides - OPCOM, as sole acquirer, buys electricity from producers (electricity producers with an installed power equal to or greater than 10 MW) and sells the purchased electricity to electricity suppliers that have contracts with final customers, the transmission system operator electricity and distribution system operators electricity to cover their own technological consumption; the price paid by OPCOM to electricity producers, for the quantities of electricity sold by them is 450 RON/MWh and the sale price of OPCOM to the economic operators is also 450 RON/MWh (OPCOM has the right to charge market participants tariffs/commissions at the level of costs recorded by organizing the centralized electricity purchase mechanism); In order to carry out the transactions, OPCOM shall organize an annual procurement procedure as well as an additional procurement procedure each month for the quantities of electricity to be delivered in the following month; annual and monthly electricity quantities are firm obligations of electricity producers and economic operators and are evenly distributed across all settlement intervals each month (contracts are concluded by signing, within maximum 3 working days).

Green certificates

Electricity suppliers have a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final consumers. The cost of green certificates is invoiced to final consumers separately from the tariffs for electricity.

Electricity generation

Green certificates

In accordance to Law no. 220/2008, electricity producers are entitled by to receive a certain number of green certificates ("GC") for each MWh of electricity produced from renewable sources depending on the renewable energy type used (i.e. hydro, wind, solar, geothermal, biomass, bioliquids, biogas) and injected into the network, for a specific period of time, depending also on the degree of novelty of the group/power plant.

Starting from February 2013, the Stanesti photovoltaic park has the right to receive (the month from which it started injecting electricity into the network), for a period of 15 (fifteen) years, 6 (six) green certificates for each MWh of electricity produced and delivered to the grid, out of which, for the period 1 July 2013 – 31 December 2020, according to Law 23/2014 and Law 184/2018, 2 (two) green certificates were postponed from trading. Those two GC postponed from trading are to be recovered in equal monthly tranches starting from 1 January 2021 until 31 December 2030.

The green certificates issued by Transelectrica for the production made by the Stanesti photovoltaic park, during the validity period of the accreditation decision issued by ANRE, can be traded, according to GEO 24/2017, until 31 March 2032, respectively including the period after the expiration of the validity period of the accreditation decision (31 January 2028 in the case of the Stanesti photovoltaic park).

Increase in Energy price impact

Following the total liberalization of the electricity market from 1 January 2021 for all types of consumers, the international context of the energy markets characterized by an imbalance between supply and demand at European level, corroborated with the energy policies developed both at EU and national level, has led to an increase in electricity prices. Moreover, the strong increase in energy prices is both the result of external factors, such as the exponential increase in the price of emission allowances, and of internal factors, such as the high share of energy traded on the spot market (DAM). The entire energy sector was affected by the increased energy price.

The aforementioned difficult conditions led to an increase in operating expenses, mainly for the acquisition of energy for network losses and for supplying activity. The unstable economic environment, led to a decrease in financial performance for 2021, but during 2022 the financial performance has significantly improved, due to electricity acquisition security measures for the supply segment and for distribution segment has benefit by capitalisation of additional costs with own technological consumption, also with no significant difficulties in receivables collection and consequently payment of debts being noted.

Due to the recent changes in the global energy market, including EU, each EU member state had to amend legal framework for the energy sector in order to protect the civil society interests on the one hand and, on the other hand to ensure a proper equilibrium and functionality on the local energy market by supporting also the utilities energy suppliers.

As a result, for ***the distribution segment***, Romanian Regulatory Authority for Energy – ANRE (https://www.anre.ro/) has to adopt similar measures through its Order 129/12.10.2022 approving the Methodological Norms regarding the recognition in the tariffs of the additional costs with the acquisition of electricity for covering the network losses compared to the costs included in the regulated tariffs, carried out between 1 January 2022 – 31 August 2023.

This change in energy sector has generated a new reporting requirement for an accounting treatment in place to cover own technological consumption and it was updated in the OMFP 2844/2016 i.e. it now allows the capitalization of such additional costs related to own technological consumption („CPT") as intangible asset which has to be depreciated linearly over next 5 years (please see note 6 and 23).

According to ANRE regulations, the capitalised costs of intangible non-current assets are recorded in the accounting records and therefore on the annual financial statements according to OMFP 2844/2016 with the instructions developed by the Ministry of Finance. ANRE will determine the recognized annual amounts of the capitalized costs based on the quantities and prices recognized for NL, and by 15 March of the year immediately following the year of capitalization of the additional costs, ANRE will transmit to the distribution operators the recognized annual amounts of the capitalized costs for the previous year. The computation of the capitalized amounts is carried out in compliance with the legislation specific to the entities that are the subject of GEO 119/2022, with subsequent additions and changes.

The changes brought by OUG 119/2022 are changes the recuperation of the NL by splitting it in current operating expenses ("OPEX") and capitalised costs ("CAPEX"), there is a portion of unit costs recuperated at cost at 450 RON/MWh (ex-ante tariffs) and for the difference above this level of 450 RON/MWh up to the effective average price, there is a linear depreciation over 5 years stipulated with return at 50% of Regulated Rate of Return (RRR).

For ***the supply segment***, in 2022 the effect of retail prices for electricity was covered as grants received from the state aithorities, as a result of the application of the mechanism of capping the prices for electricity and natural gas, following the enacting of Ordinances 118/2021 and 119/2022, the electricity prices for certain categories of households and industrial consumers has been capped to a certain level. The difference between the capped level and the average acquisition prices in the period to which a margin has been allowed, is recoverable from the state authorities.

The Group actively reviews and implements policies and strategies to recover from the loss generated by the increase in energy price, strategies which mainly aim in revising the method of generating the selling price for final consumers, concluding agreements with specific clauses ensuring new financing facilities, closely monitoring suppliers and consumers payment terms, monitoring daily cash flow and forecasted cash flow. The Group continues to closely monitor the macroeconomic outlook and as additional information will be available, their effects on the activity of Group companies and over the financial results will be analyzed.

Geopolitical tensions

In February 2022 global geopolitical tensions significantly escalated following military interventions in Ukraine by the Russian Federation. As a result of these escalations, economic uncertainties in energy and capital markets have increased, with global energy prices expected to be highly volatile for the foreseeable future. As at the date of these consolidated financial statements, management is unable to reliably estimate the effects on the Groups financial outlook and cannot exclude adverse consequence on the business, operations, and financial position. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances and that judgements used in these financial statements remain appropriate.

2 Basis of accounting

These annual consolidated financial statements have been prepared in accordance with OMFP no. 2844/2016. The consolidated financial statements were authorized for issue by the Board of Directors on 07 March 2023 and will be submitted for shareholders' approval in the meeting scheduled on 28 April 2023.

These consolidated financial statements are not in compliance with IFRS-EU.

This is the first set of the Group's annual financial statements in which is included the additional costs with the purchase of electricity made between 1 January 2022 and 31 August 2023, in order to cover the own technological consumption (NL) for economic operators for energy transport and distribution services are capitalized quarterly, the first asset being recorded on 30 September 2022. The Order of Ministry of Public Finances (OMFP) no. 3900/2022 was issued and brings additional accounting specifications to the accounting regulations in force to OMFP no. 2844/2016, which provided the financial-accounting treatment applied to the not recovered through the tariff additional costs related to the own technological consumption of the distribution operators (OD).

Except the above new current accounting treatment as issued by Ministry of Finance, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements. Details of the Group's accounting policies are included in Note 6.

3 Functional and presentation currency

These consolidated financial statements are presented in Romanian Lei (RON), which is the functional currency of all Group companies. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4 Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included below.

Revenue recognition

The Group assesses its revenue arrangements based on specific criteria to determine if it is acting as a principal or an agent. The Group has identified that it acts in the capacity of an agent in case of transactions as Balancing Responsible Party ("BRP") and thus recognises revenue as the net amount of the commission earned by the Group. The Group concluded that it is acting as a principal in all other revenue arrangements.

Service Concession Arrangements

The distribution subsidiaries (as operators) that merged into one single distribution operator as of 31 December 2020 concluded concession contracts with the Ministry of Economy (as grantor) in 2005, updated by subsequent addendums. These contracts concern the operation of electricity distribution service in the established territory (Transilvania Nord, Transilvania Sud, Muntenia Nord), on the risk and responsibility of the operators and taking into account the regulations applicable to the operation, modernization, rehabilitation and development of energy distribution networks specified in the Electricity Law, the terms and conditions of the licenses for electricity distribution and the regulations issued by ANRE. The distribution operator resulting from the merger of the three distribution operators within the Group, Distributie Energie Electrica Romania concluded addendums to the concession agreements signed with the Ministry of Economy for the operation of electricity distribution service in all three areas.

IFRIC 12 "*Service Concession Arrangements*" deals with public-to-private service concession arrangements. IFRIC 12 applies to public-to-private service concession arrangements if:

(a) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

(b) the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement.

The control or regulation referred to in condition (a) could be by contract or otherwise (such as through a regulator). The activities of the electricity distribution operators, including distribution tariffs, are regulated by ANRE.

The concession contracts are concluded for a period of 49 years and may be extended for a period equal to no more than half of that period. As a price for the concession, the operators pay an annual royalty fee recognized in the distribution tariff of 1/1000 of the revenues from electricity distribution. According to the concession contracts, the operators use the assets representing the distribution network owned by them located in the above-mentioned territory for electricity distribution. According to the concession contracts, the grantor will buy at the end of the term of concession contract the ownership right of the "relevant assets", that are mainly the electricity distribution networks, at a price equal to the value of the regulated assets base at the end of the concession.

Within the arrangements, the Group incurs significant expenditure in relation to the development and maintenance of the infrastructure. The construction works are either outsourced by the Group to sub-contractors, or performed internally. Significant management judgment is involved in accounting for the concession arrangements under IFRIC 12, including those in respect of the recognition of revenue based on the separation of construction or upgrade services from operation services.

The concessionaires act as service suppliers (they build, modernize and maintain the distribution network). This results in revenues and expenditures being recognized in the profit and loss account (related to the construction and modernization of infrastructure), as well as of a margin resulting from rendering the construction services establised by the Group. The 3% margin applied is determined based on the Group's experience in working with external contractors.

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that may result in a material adjustment in the subsequent twelve month period is included in the following notes:

- Nota 6 c) – assumptions regarding recognition of revenue from supply and distribution of electricity to consumers based on estimates for electricity delivered and for which no reading was performed yet;
- Notes 18 and 30 – assumptions and estimates about measurement of the allowance for trade receivables at the level of expected credit losses (ECL), respectively in determining the loss rates;
- Notes 28 and 33 – recognition and measurement of provisions and contingencies;
- Note 18 – assumptions and estimates of amounts to be received from the state following the application of the compensation and capping scheme.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities, which the Group can access;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 30 – Financial instruments;
- Note 22 – Property, plant and equipment.

5 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the land and buildings which are measured based on the revaluation model.

6 Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except for the accounting treatment of capitalization of additional costs with the purchase of electricity for own technological consumption (NL) for the distribution subsidiary, as stipulated by OMFP no. 3900/2022 which brings additional accounting specifications to the accounting regulations in force, OMFP no. 2844/2016.

OMFP no. 3900/2022 is applicable for NL costs that are not recuperated in tariffs, realized between 01 January 2022 and 31 August 2023, therefore there is no need to have comparative information and the Group presents the impact of this amendment in the consolidated financial statements for the year ended 31 December 2022.

Except the above, the new amendments to existing standards that are effective starting with 1 January 2022 do not have a significant impact over the Group's consolidated financial statements.

(a) Going concern

The consolidated financial statements have been prepared on the going concern basis. In making this judgement management considers current trading performance and access to finance resources. The Group has prepared a forecast that includes the following assumptions:

- A continuation of the support scheme until 31 March 2025 according to the applicable legislation but with a more stable flow of repayments of the reimbursement requests for subsidies as compared with last year, as the mechanism has been operationally improved;
- The utilization of confirmed debt facilities up to a limit of RON 4,948,373 thousand, including RON thousand 2,891,660 thousand overdraft limits (out of which RON 2,571,037 thousand used until 31.12.2022 - please see Note 29) and RON 2,056,713 thousand long term loans limit (out of which RON 760,713 thousand long term loans used until 31.12.2022 - please see Note 29);
- The utilization of not yet confirmed facilities amounting to RON 283,000 thousand and limits for factoring without recourse for the requests for reimbursement for the subsidies under the support scheme amounting to RON 350,000 thousand which will be drawn during the forecast period;
- Also, the Group obtained the approval of the GSM to perform one or more bond issuance within a ceiling of up to 900,000 thousand RON in the period 2022-2023, mainly for the development of green energy generation projects. Depending on market context, a first issuance of up to RON 650,000 thousand in the second part of 2023 is envisaged, and until its use in the operationalization of green energy production projects, the respective amounts attracted will be able to be used as a liquidity buffer at the Group level.

At the date of issuance of these consolidated financial statements the regulatory position may be further amended and there may be further laws enacted which could adversely impact the Groups operating cash flows during the forecast period. Given the current market uncertainties, the Group is closely monitoring the market context and is continuously analysing the opportunities for optimisation of debt and increase of bank overdrafts and long-term loans. In light of the importance of the Group as the supplier and distributed of electricity on the Romanian market, having 40.7 % (according to the latest ANRE report 2021 for the distribution segment) as market share on the electricity distribution and 17.72 % (according to the latest ANRE report October 2022 for the supply segment) as market share on the electricity supply market and having as main shareholder of Electrica SA the Romanian State, the management believes sufficient financing will be made available to cover any financing requirements arising from market uncertainty and Group will be able to meet its obligations as they fall due.

Based upon the above projections and other information, given the measures already implemented and the strategies to reduce the risks which may occur due to the instability of the economic environment, the Board of Directors has, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidation perimeter from the date that control commences until the date on which control ceases.

(ii) Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iii) Non-controlling interests

The Group measures any non-controlling interests in the subsidiary at their proportionate share of the subsidiary's identifiable net assets.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(c) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

(d) Revenue

Revenue is recognized when or as the customer acquires control over the goods or services rendered, at the amount which reflects the price at which the Group is expected to be entitled to receive in exchange of those goods or services. Revenue is recognized at the fair value of the services rendered or goods delivered, net of VAT, excises or other taxes related to the sale.

Supply and distribution of electricity

The revenue from supply and distribution of electricity to consumers is recognized when electricity is delivered to consumers (consumed by consumers), based on meter readings and based on estimates for electricity delivered and for which no reading was performed yet. The invoicing of electricity sales is performed on a monthly basis. Monthly electricity invoices are based on meter readings or on estimated consumptions based on the historical data of each consumer. Electricity supplied to consumers which is not yet billed as at the reporting date is accrued on the basis of recent average consumption or based on subsequent meter readings. Differences between estimated and actual amounts are recorded in subsequent periods.

Revenues from electricity distribution and supply also include the cost of green certificates recharged by the Group to final consumers (see paragraph (k)).

The Group acts in the capacity of an agent in case of transactions as Balancing Responsible Party ("BRP"). Thus, in its quality as an agent, the Group recognizes revenue for the commission earned in exchange for facilitating the transfer of goods or services. Any holder of a production/supply/distribution license must be established as a Balancing Responsible Party or must delegate this responsibility to a Balancing Responsible Party. By delegating this responsibility to a BRP, there is the benefit of imbalance aggregation in the meaning of Balancing Market cost reduction by comparison with the case where the producer/supplier/distributor would act itself as a Balancing Responsible Party.

Electrica Furnizare S.A. acts as BRP for a large number of participants, electricity producers as well as electricity suppliers and distribution operators. For the settlement of imbalances, BRP Electrica is using the "method of internal redistribution of payments", ensuring benefits of imbalance aggregation for all the participants included in the BRP. BRP Electrica provides the transmission of physical notifications to CNTEE Transelectrica SA and its role is to balance the differences between the electricity contracted and the electricity measured at the level of the entire BRP.

Generation and sale of electricity

The electricity produced by the Group is mainly sold on the Day Ahead Market and the revenue is recognized when the electricity is injected into the network and is being sold on the market.

Sale of green certificates

Electricity suppliers have a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers. Cost of green certificates is invoiced to final customers separately from the tariffs for electricity.

Electricity producers are entitled by the law in force to receive a certain number of green certificates for each MWH of electricity produced from renewable sources and injected into the network. The green certificates can be sold on the spot market, term market or a combination of both. The selling price must fall between the minimum and maximum values set by Law no. 220/2008 for establishing the system for promoting the production of electricity from renewable energy sources, republished, with subsequent amendments. Revenue from green certificates is recognized in the profit or loss statement when the green certificates are sold on the trading market.

Rendering of services

Revenues related to services rendered are recognised in the period in which the services were rendered based on statements of work performed, regardless of when paid or received, in accordance with the accrual basis.

Sales of goods

Revenue from sale of goods is recognized when the control of the goods has been transferred to a customer. Control refers to the customer's ability to direct the use of and obtain substantially all of the remaining benefits from, an asset.

Service concession arrangement

Revenue related to construction or upgrade services under service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the accounting policy on recognising revenue on construction contracts, as follows:

- Revenue in respect of variations to contracts and incentive payments is recognised when there is an enforceable right to payment and it is highly probable it will be agreed by the customer. Variable consideration is assessed on a contract by contract basis according to the facts, circumstances and terms of each project and only recognised to the extent that it is highly probable not to significantly reverse in the future. Revenue in respect of claims is recognised only if it is highly probable not to reverse in future periods.

- If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.
- Contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately as expense.

(e) Other income

Revenues from the subsidies

Revenues from subsidies are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate, as a result of the application of the electricity price cap. These subsidies are recoverable from the National Agency for Payments and Social Inspection for household consumers and from the Ministry of Energy for non-household consumers, as a result of the application of the electricity and natural gas price ceiling mechanism and are applicable for period 1 November 2021 – 31 March 2025. Starting with April 2022, the revenues from subsidies are recorded as the difference between the income calculated at the contract price and the income invoiced to the customer at the capped price.

(f) Repairs and maintenance

Repair and maintenance expense is recorded as the operating expense base on an accrual basis.

(g) Commissions

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for the transactions acting as Balancing Responsible Party. If the Group acts in the capacity of an agent rather than as the principal in a transaction, then the income recognised is the net amount of commission earned by the Group.

(h) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- foreign currency gains or losses on financial assets and financial liabilities;
- impairment losses recognised on financial assets (other than trade receivables).

Interest income or expense is recognised using the effective interest method.

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date, as communicated by the National Bank of Romania. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated to the functional currency.

(j) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The Group determines the net interest expense/(income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(k) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets 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 realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that the future taxable profits will be available against which they can be used.

In such a circumstance, the Group shall recognise and measure its current or deferred tax asset or liability based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation.

The Group assesses whether it is probable (more than 50% chances) that a tax authority will accept an uncertain tax treatment.

Thus, the Group shall reflect the effect of uncertainty for each uncertain tax treatment by using either of the following methods, depending on which method the entity expects to better predict the resolution of the uncertainty:

(a) the most likely amount - the single most likely amount in a range of possible outcomes. The most likely amount may better predict the resolution of the uncertainty if the possible outcomes are binary or are concentrated on one value.

(b) the expected value - the sum of the probability-weighted amounts in a range of possible outcomes. The expected value may better predict the resolution of the uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value.

(l) Green certificates

Electricity supply

Electricity suppliers have a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers.

The cost of green certificates is accrued in the profit or loss based on the quantitative quota determined by the regulator representing the quantity of the green certificates that the Group has to purchase for the year and based on the price of green certificates acquired on the centralized market. The obligation for covering the annual acquisition quota is accrued in profit or loss.

Electricity generation

Electricity producers are entitled by the law in force to receive a certain number of green certificates for each MWH of electricity produced from renewable sources and injected into the network.

Green certificates are recognized as inventories when the producer has the right to receive as a result of energy produced and delivered into the network, at nil nominal value. Recognition in the profit and loss account is done at the time of their sale.

(m) Inventories

Inventories consist mainly of spare parts that do not meet the recognition criteria for property, plant and equipment, consumables, goods for resale, other inventories and the natural gas storage.

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories is based on the weighted average cost method. The cost of inventories includes all the acquisition costs and other expenses related to bringing the inventories to their current place and condition.

Consumables used for the repairs and maintenance of the electricity network are included in profit and loss when consumed and presented in "*Repairs, maintenance and materials*".

(n) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated initially at cost, which includes purchase price and other costs directly attributable to acquisition and bringing the asset to the location and condition necessary for their intended use.

After initial recognition, land and buildings are measured at revalued amounts less any accumulated depreciation and any accumulated impairment losses since the most recent valuation. The other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses. Revaluations of land and buildings are made with sufficient regularity to ensure that the carrying amount does not differ materially from the one that would be determined using the fair value at the end of the reporting period. When a building is revalued, the accumulated depreciation is eliminated against the gross carrying amount of that item, and the net amount is restated to the revalued amount of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

Spare parts, stand-by and servicing equipment are classified as property, plant and equipment if they are expected to be used during more than one period or can be used only in connection with an item of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land and construction in progress are not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

Category	Useful lives (years)
Buildings	45-70
Equipment	3-25
Motor vehicles and office equipment	3-10

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Intangible asset in a service concession arrangement

(i) Recognition and measurement

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for use of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided. Subsequent to initial recognition, the intangible asset is measured at cost, less accumulated amortization and accumulated impairment losses.

(ii) Amortization

The amortization method used is selected on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset, and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits. The Group determined that the amortization method that reflects appropriately the expected pattern of consumption of the expected future economic benefits is correlated with the amortisation of the regulated asset base "RAB".

(p) Connection fees

According to art. 25 paragraph (1) of Law no. 123/2012 on electricity and natural gas, as subsequently amended and supplemented, access to power grids of public interest is a mandatory service provided under regulatory conditions, which the transmission and system operator as well as the distribution operators must ensure.

At the request of a new or pre-existing customer, the distribution operators are obliged to communicate the technical and economic conditions for the connection network and to cooperate with the applicant to choose the most advantageous technical and economic solution. Afterwards, a connection contract is concluded between the distribution operator and the customer at a regulated tariff. The actual construction of the connection installation is carried out by a construction supplier certified by ANRE.

The Group collects cash from customers, which is used only to pay for the construction of the connection station, and the Group must then use this asset to connect customers to the network. According to ANRE Order no. 59/2013, with subsequent amendments, these assets remain in the ownership of the network operator.

The Group recognizes the assets at nil value, net of the amount of the deferred income representing the contributions from customers. The assets financed from connection fees received from the new users of the distribution network are not included in the RAB. At the end of the concession contract, the assets built from the connection tariff will be transferred to the concessionaire free of charge together with the assets part of RAB.

Starting with 2021, according to ANRE Order no. 160/2020 amending ANRE Order no.59/2013, the connection installations that are financed by the customers will remain in their ownership and are being exploited by the network operator. However, according to ANRE Order no. 17/2021 for the connection installations of all household consumers and of the non-household with lengths less than 2.5 km, the distribution operator has the obligation to finance them and these will remain in the ownership of the network operator.

(q) Intangible assets related to the capitalization of own technological consumption ("NL")

The difference between the purchase price of electricity for own technological consumption versus the ex-ante purchase price recognized by ANRE in the related regulated tariffs 2022 related to the purchase of electricity and natural gas, made between 1 January 2022 and 31 August 2023, in order to cover the own technological consumption (NL) for economic operators for energy transport and distribution services are capitalised.

According to ANRE regulations, the capitalised costs of intangible assets are recorded in the accounting records and therefore on the annual financial statements according to the instructions developed by the Ministry of Finance. ANRE will determine the recognized annual amounts of the capitalized costs based on the quantities and prices recognized for NL.

(i) Recognition and measurement

The computation of the capitalized amounts is carried out in compliance with the legislation specific to the entities that are the subject of GEO 119/2022, with subsequent additions and changes.

According to the legislation in force, the following intangible assets will be created for the NL difference (in correspondence with "*Capitalised costs of intangible non-current assets*":

- The first intangible asset - for the NL cost difference recorded between January 2022 and September 2022 will be recorded on 30 September 2022;
- The second intangible asset - for the NL cost difference recorded between October 2022 and December 2022 will be recorded on 31 December 2022;

Currently, only the above intangibles are recognized in the financial statements.

In the future, the following additional intangible assets will be recognised in 2023.

- The third intangible asset - for the NL cost difference recorded between January 2023 and March 2023 will be recorded on 31 March 2023;
- The fourth intangible asset - for the NL cost difference recorded between April 2023 and June 2023 will be recorded on 30 June 2023;
- The fifth intangible asset - for the NL cost difference recorded between July 2023 and August 2023 will be recorded on 31 August 2023.

(ii) Amortization

The capitalized costs are amortized through the straight-line method over a period of 5 years from the date of capitalization.

(r) Other intangible assets

(i) Recognition and measurement

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives of software and licenses are 3-5 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(s) Goodwill

Goodwill is measured as the value of the consideration transferred (fair value) plus the amount of any non-controlling interest (NCI) plus the fair value of previous equity interests minus the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(t) Assets held for sale

Non-current assets or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(u) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets are initially measured at fair value and subsequently at amortized cost, as they are held in a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal reimbursements, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Loans and receivables comprise trade receivables, cash and cash equivalents and deposits.

Trade receivables

Trade receivables include mainly unsettled invoices issued until reporting date for supply and distribution of electricity and services, late payment penalties and accrued revenue for electricity delivered and services rendered until the end of the year,but invoiced after the end of the year.

Government grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

Other receivables from capping schemes:

The compensation of household consumers for part of the costs incurred by the electricity invoices was applicable between 1 November 2021 until 31 March 2022.

The exemption was applicable between 1 November 2021 until 31 January 2022 for several types of non-household consumers from payment of regulated tariffs and other taxes/ contributions.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and deposits with maturities of three months or less from the set-up date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

(ii) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) valued as at fair value, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Other financial liabilities include bank borrowings, bank overdrafts, financing for network construction related to concession agreements and trade payables.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

(iv) Impairment

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at fair value through other comprehensive income. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(ii) Write-off policy

The Group writes off a financial asset after the finalization of the bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(v) Revaluation reserve

The difference between the revalued amount and the net carrying amount of property, plant and equipment is recognised as revaluation reserve included in equity.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised and accumulated in equity under the heading of revaluation reserve. However, the increase is recognised in profit and loss to the extent that it reverses a revaluation decrease of the same amount of the asset previously recognised in profit and loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognized in equity in revaluation reserves if there is any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings in an amount corresponding to the use of the asset (as the asset is depreciated) and upon disposal of the asset.

(w) Dividends

Dividends are recognized as a deduction from equity in the period in which their distribution is approved and recognised as a liability to the extent it is unpaid at the reporting date. Dividends are disclosed in the notes to financial statements when their distribution is proposed after the reporting date and before the date of the issuance of the financial statements.

(x) Pre-paid capital contributions in kind from shareholders

These contributions from a shareholder represent pre-paid contributions of land for which the Company obtained title deeds in respect of future issuance of shares. The amounts recorded are based on the fair value of the land.

(y) Provisions

A provision is recognised if, as a result of a past event, the Group has a present, legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(z) Contingent assets and liabilities

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events that is not recognised because:

i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

ii. the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the Group's financial statements, but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent asset is not recognized in the Group's financial statements, but disclosed when an inflow of economic benefits is probable.

(aa) Leases

(i) The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (with a lease term of 12 months or less) and leases of low value assets (of less than USD 5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the default rate in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the

lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

(ii) Rental income

Rental income from property, plant and equipment other than investment property is recognised as *Other income*. Rental income is recognised on a straight-line basis over the term of the lease.

(bb) Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale. Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate.

(cc) Segment reporting

Segment results that are reported to the Company's Board of Directors (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(All amounts are in THOUSAND RON, if not otherwise stated)

(dd) Subsequent events

Events occurring after the reporting date 31 December 2022, which provide additional information about conditions prevailing at the reporting date (adjusting events) are reflected in the consolidated financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting date (non-adjusting events), when material, are disclosed in the notes to the consolidated financial statements. When the going concern assumption is no longer appropriate at or after the reporting period, the financial statements are not prepared on a going concern basis.

7 Disclosure for the additional set of the consolidated financial statements

The Company also issues a set of consolidated financial statements prepared in accordance with IFRS-EU.

Until 31 December 2021, the consolidated financial statements prepared in accordance with OMFP no. 2844/2016 were equivalent to IFRS-EU. Starting with 31 December 2022, according to Order of Ministry of Public Finances (OMFP) no. 3900/2022 that has included a new clause related to the regulatory accounts to cover for own technological consumption network additional expenses for actual energy costs as compared with the ex-ante ANRE prices recognised in distribution tariffs. On the additional set of the consolidated financial statement in accordance with IFRS-EU, these expenses have a different accounting treatment (please see the voluntary set of financial statements in accordance with IFRS-EU).

8 Operating segments

(a) Basis for segmentation

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Electricity and natural gas supply	Buying and supplying electricity and natural gas to final consumers (includes Electrica Furnizare S.A.)
Electricity distribution	Operation, maintenance and construction of electricity networks operated by the Group (includes Distributie Energie Electrica Romania S.A. and the activity performed by Electrica Serv S.A within the distribution network).
Electricity generation	Production of electricity from renewable sources (includes Electrica Energie Verde 1 S.R.L., Electrica Productie Energie S.A., Sunwind Energy S.R.L., New Trend Energy S.R.L., Green Energy Consultancy & Investments S.R.L.).
External electricity network maintenance	Repairs, maintenance and other services for electricity networks owned by other distributors (Electrica Serv S.A., without the activity performed in the electricity distribution segment).

The Board of Directors of the Company reviews management reports of each segment. Segment earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA") is used to measure performance because management believes that such information is one of the most relevant in evaluating the results of the segments.

There are varying levels of integration between the Electricity supply, Electricity distribution and External electricity network maintenance segments. This integration includes electricity distribution and shared electricity network maintenance services. Inter-segment pricing policy is determined on an arm's length basis.

All assets are allocated to reportable segments, except for investments in associates and deferred tax assets.

(All amounts are in THOUSAND RON, if not otherwise stated)

(b) Information about reportable segments

Year ended 31 December 2022	Electricity and natural gas supply	Electricity distribution	Electricity generation	External electricity network maintenance	Total for reportable segments	Head-quarter	Consolidation eliminations and adjustments	Consolidated total
External revenues	8,153,190	1,817,054	14,180	25,472	**10,009,896**	-	-	**10,009,896**
Inter-segment revenue	32,824	1,579,572	7,200	55,612	**1,675,208**	-	(1,675,208)	**-**
Segment revenue	**8,186,014**	**3,396,626**	**21,380**	**81,084**	**11,685,104**	**-**	**(1,675,208)**	**10,009,896**
Other income	2,754,954	159,505	49	42,295	**2,956,803**	5,180	(121,020)	**2,840,963**
Capitalised costs of intangible non-current assets	**-**	989,291	**-**	**-**	**989,291**	**-**	**-**	**989,291**
Segment profit/(loss) before tax	**315,170**	**359,377**	**9,526**	**(2,399)**	**681,674**	**25,603**	**(43,354)**	**663,923**
Net finance income/(cost)	(63,168)	(152,049)	(2,482)	11,361	**(206,338)**	65,857	(24,514)	**(164,995)**
Amortization and depreciation	(12,557)	(506,016)	(2,480)	(11,348)	**(532,401)**	(1,586)	-	**(533,987)**
Reversal of impairment of property, plant and equipment and intangible assets, net	-	-	-	-	**-**	5	-	**5**
Adjusted EBITDA*	390,895	1,017,442	14,488	(2,412)	**1,420,413**	(38,673)	(18,843)	**1,362,897**
(Impairment)/ Reversal of impairment of trade and other receivables, net	(131,794)	19,177	-	204	**(112,413)**	102	-	**(112,311)**
Segment profit/(loss) after tax	261,099	308,152	8,006	(673)	**576,584**	25,615	(43,354)	**558,845**
Employee benefits	(102,619)	(661,963)	(171)	(30,055)	**(794,808)**	(28,614)	-	**(823,422)**
Capital expenditure	9,058	612,664	-	1,342	**623,064**	2,323	-	**625,387**
Segment assets	**4,141,083**	**9,076,633**	**146,743**	**418,940**	**13,783,399**	**213,625**	**(2,373,712)**	**11,623,312**
Trade and other receivables	2,579,678	960,913	5,265	90,557	**3,636,413**	378	(1,043,536)	**2,593,255**
Cash and cash equivalents	148,919	69,826	4,889	5,623	**229,257**	105,630	-	**334,887**
Trade and other payables and short term employee benefits	2,365,894	1,026,377	16,101	42,313	**3,450,685**	44,399	(1,033,845)	**2,461,239**
Bank overdrafts	1,589,801	772,098	-	-	**2,361,899**	209,138	-	**2,571,037**
Lease liability	8,469	33,830	12,088	(983)	**53,404**	269	-	**53,673**
Bank borrowings	-	660,713	-	-	**660,713**	100,000	-	**760,713**

**Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation or namely EBITDA) for operating segments is defined and calculated as segment profit/(loss) before tax of a given operating segment adjusted for i) depreciation, amortization and impairment/reversal of impairment of property, plant and equipment and intangible assets in the operating segment, ii) impairment of assets held for sale and iii) net finance income in the operating segment. Moreover, EBITDA is not* *uniformly defined. The method used to calculate EBITDA by other companies may differ significantly from that used by the Group. As a consequence, the EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA of other companies.*

(All amounts are in THOUSAND RON, if not otherwise stated)

Year ended 31 December 2021	Electricity and natural gas supply	Electricity distribution	Electricity generation	External electricity network maintenance	Total for reportable segments	Headquarter	Consolidation eliminations and adjustments	Consolidated total
External revenues	5,741,460	1,389,389	6,024	41,991	**7,178,864**	-	-	**7,178,864**
Inter-segment revenue	30,907	1,341,456	2,949	26,127	**1,401,439**	-	(1,401,439)	**-**
Segment revenue	**5,772,367**	**2,730,845**	**8,973**	**68,118**	**8,580,303**	**-**	**(1,401,439)**	**7,178,864**
Segment profit/(loss) before tax	**(453,610)**	**(153,003)**	**1,544**	**(17,868)**	**(622,937)**	**321,779**	**(331,253)**	**(632,411)**
Net finance income/(cost)	336	(73,498)	(738)	850	**(73,050)**	377,419	(331,250)	**(26,881)**
Amortization and depreciation	(14,228)	(451,945)	(2,290)	(10,092)	**(478,555)**	(2,275)	-	**(480,830)**
(Impairment)/ Reversal of impairment of property, plant and equipment and intangible assets, net	-	-	-	137	**137**	3,805	-	**3,942**
Reversal of impairment of assets held for sale	-	-	-	(154)	**(154)**	(492)	-	**(646)**
Adjusted EBITDA*	(439,718)	372,440	4,572	(8,609)	**(71,315)**	(56,678)	(3)	**(127,996)**
Reversal of impairment/ (Impairment) of trade and other receivables, net	(37,767)	(32,707)	-	(212)	**(70,686)**	70	-	**(70,616)**
Segment profit/(loss) after tax	(389,678)	(139,040)	1,300	(16,033)	**(543,451)**	321,822	(331,253)	**(552,882)**
Employee benefits	(106,107)	(622,492)	(47)	(34,790)	**(763,436)**	(39,240)	-	**(802,676)**
Capital expenditure	9,374	500,387	8	1,552	**511,321**	4,539	-	**515,860**
Segment assets	**1,422,316**	**8,085,802**	**41,206**	**417,744**	**9,967,068**	**182,509**	**(2,266,441)**	**7,883,136**
Trade and other receivables	1,216,895	1,057,157	998	85,924	**2,360,974**	75,106	(1,042,861)	**1,393,219**
Cash and cash equivalents	60,231	145,741	2,635	7,466	**216,073**	5,757	-	**221,830**
Restricted cash (short term)	1,380,664	826,256	24,373	27,917	**2,259,210**	53,551	(1,016,329)	**1,296,432**
Trade and other payables and short term employee benefits	298,602	208,109	-	-	**506,711**	120,691	-	**627,402**
Bank overdrafts	3,270	15,147	-	2,614	**21,031**	513	-	**21,544**
Lease liability	-	628,489	-	-	**628,489**	-	-	**628,489**
Bank borrowings								

**Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation or namely EBITDA) for operating segments is defined and calculated as segment profit/(loss) before tax of a given operating segment adjusted for i) depreciation, amortization and impairment/reversal of impairment of property, plant and equipment and intangible assets in the operating segment, ii) impairment of assets held for sale and iii) net finance income in the operating segment. Moreover, EBITDA is not uniformly defined. The method used to calculate EBITDA by other companies may differ significantly from that used by the Group. As a consequence, the EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA of other companies.*

(All amounts are in THOUSAND RON, if not otherwise stated)

9 Revenue

	2022	2021
Electricity distribution and supply	8,991,986	6,517,777
Supply of natural gas	308,515	98,503
Construction revenue related to concession agreements (Note 23)	611,294	500,387
Repairs, maintenance and other services rendered	87,395	59,854
Proceeds from sale of green certificates	3,741	1,138
Re-connection fees	3,824	1,205
Sales of merchandise	3,141	-
Total	**10,009,896**	**7,178,864**

In respect to the timing of the revenue recognition, most of the Group's services provided are transferred to the customer over time, only a small part amounting to RON 2,694 thousand (2021: RON 2,081 thousand) being transferred at a point in time (e.g. metering services provided by the distribution companies, providing periodic data analysis to the customer for certain taxes collected on behalf of them).

10 Electricity and natural gas purchased

		2022	2021
Electricity purchased	9,886,773		4,967,315
Green certificates purchased	609,107		581,729
Natural gas purchased	10,929		145,680
Total		**10,506,809**	**5,694,724**

The cost of electricity and natural gas purchased includes the cost of the green certificates purchased by the supply subsidiary which has a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers. The cost of green certificates is then invoiced to final customers separately from electricity tariffs.

(All amounts are in THOUSAND RON, if not otherwise stated)

11 Other income and expenses

(a) Other income

	2022	2021
Subsidies related to electricity supply (note 18)	2,687,131	-
Rental income	92,486	93,143
Late payment penalties from customers	52,110	28,356
Other	9,236	74,272
Total	**2,840,963**	**195,771**

Rental income refers mainly to the subsidies, following by rental of the electricity poles by the distribution subsidiary to telecom operators.

During 2022, the Group recognized subsidies on the supply segment recognized subsidies of RON 2,687,131 thousand, out of which RON 1,224,375 thousand outstanding receivable from the Ministry of Energy following the application of the capping price mechanism for the electricity and natural gas as approved by Order no. 118/2021 with subsequent amendments and GEO no. 27/2022, the latter one being amended by GEO no. 119/2022.

(b) Other operating expenses

	2022	2021
Other taxes and duties	46,950	43,211
Utilities	56,643	39,697
Printing and distribution of invoices services	44,092	36,960
IT services	34,929	30,411
Security services	17,549	26,718
Meters reading expenses	39,748	22,219
Cash collection services	14,632	15,819
Rent	21,010	12,205
Postage and telecommunication services	18,998	11,680
Call centre services	10,929	11,011
Other	47,491	93,216
Total	**352,971**	**343,147**

**Meter reading expenses have increased during 2022 as a consequence of changes in legislation related to frequency of meter readings. During 2021 meters were read with a frequency of 2 times per year as compared to 2022 when they are measured quarterly (according to ANRE, the date between measurement cannot exceed 3 months).*

12 Net finance income/(cost)

	2022	2021
Interest income	2,847	1,765
Other finance income	6,871	882
Total finance income	**9,718**	**2,647**
Interest expense	(156,985)	(24,110)
Interest cost for employee benefits (Note 15)	(7,354)	(5,007)
Foreign exchange losses, net	(10,374)	(411)
Total finance costs	**(174,713)**	**(29,528)**
Net finance cost	**(164,995)**	**(26,881)**

13 Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share has been based on the following profit attributable to Company's shareholders and weighted-average number of ordinary shares outstanding:

(All amounts are in THOUSAND RON, if not otherwise stated)

Profit/(Loss) attributable to shareholders

	2022	2021
Profit/(Loss) for the year attributable to the owners of the Company	558,954	(552,882)
Profit attributable to shareholders of the Company	**558,954**	**(552,882)**

Number of ordinary shares (in number of shares)

	2022	2021
Number of ordinary shares at 31 December	**339,553,004**	**339,553,004**

For the calculation of basic and diluted earnings per share, treasury shares (6,890,593 shares) were not treated as outstanding ordinary shares and were deducted from the number of issued ordinary shares.

Earnings/(Loss) per share	2022	2021
Basic and diluted earnings/(loss) per share (RON)	**1.65**	**(1.63)**

14 Short-term employee benefits

	31 December 2022	31 December 2021
Personnel payables	70,105	52,419
Current portion of defined benefit liability and other employee benefits	11,548	18,257
Social security charges	27,301	25,342
Tax on salaries	5,220	5,084
Total	**114,174**	**101,102**

For details of the related employee benefit expenses, see Notes 15 and 16.

In Romania, all employers and employees, as well as other persons, are contributors to the State social security system. The social security system covers pensions, child benefit, temporary inability to work situations, risks of work accidents and professional diseases and other social assistance services, redundancy payments and incentives granted to employers for creating new jobs.

15 Post-employment and other long-term employee benefits

The Group provides cash benefits to employees depending on seniority in the form of jubilee bonuses and depending on the years of service at retirement in the form of retirement bonuses. The post-employment and other long-term employee benefits are stipulated in the Collective Labour Contracts.

In 2022 and 2021, employee benefit obligations were computed by an independent actuary using the projected unit credit method with benefits calculated proportionally to the period of service.

	31 December 2022	31 December 2021
Defined benefit liability	41,675	79,078
Other long-term employee benefits	87,762	88,356
Total	**129,437**	**167,434**
- Current portion*	12,168	18,257
- Non-current portion	117,269	149,177

*included in Personnel payables in Note 14

(All amounts are in THOUSAND RON, if not otherwise stated)

(i) Movement in the defined benefit liability and other long-term employee benefits

The following tables shows a reconciliation from the opening balances to the closing balances for the defined benefit liability and other long-term employee benefits and its components. There are no plan assets.

Defined benefit liability	2022	2021
Balance at 1 January	**79,078**	**68,101**
Included in profit or loss		
Current service cost	4,893	5,158
Past service cost	(23,367)	5,054
Interest cost	3,100	2,194
Included in other comprehensive income		
Remeasurements loss		
- Actuarial loss	(9,503)	5,891
Other		
Benefits paid	(12,526)	(7,320)
Balance at 31 December	**41,675**	**79,078**

Other long-term employee benefits	2022	2021
Balance at 1 January	**88,356**	**86,195**
Included in profit or loss		
Current service cost	7,786	8,285
Past service cost	(353)	-
Actuarial (gain)/ loss	(4,509)	(1,859)
Interest cost	4,256	2,814
Other		
Benefits paid	(7,775)	(7,079)
Balance at 31 December	**87,761**	**88,356**

Defined benefits refer to the retirement bonuses granted according to the seniority within the Group and other long-term benefits refer to the jubilee bonuses granted for seniority.

(ii) Actuarial assumptions

The following were the main actuarial assumptions at each reporting date:

(a) Macroeconomic assumptions:

- inflation. The actuary used information from the *National Commission for Strategy and Prognosis:*

Year	Valuation date 31 December 2022	Valuation date 31 December 2021
2022	13.9%	5.9%
2023	7.5%	3.2%
2024	4.9%	3.0%
2025	3%	2.8%
2026+	2.5%	2.5%

- the discount rate used is based on the yield of the Romanian Government bonds at the reporting date, therefore the weighted average discount rate is 8.1% for the year 2022 (2021: 5%);
- taxes and social charges are those in force as at the reporting date.

b) Group specific assumptions:

- For the year 2022 were taken into consideration the salaries' growth rates budgeted by the Group. Starting with the year 2023, salaries' growth is forecasted at the inflation rate;
- Employees' turnover: based on historical data;
- Jubilee and retirement bonuses granted based on seniority as per the collective labour

(All amounts are in THOUSAND RON, if not otherwise stated)

contracts, as follows:

Jubilee bonus based on years of service in the Group		
Seniority	No of gross monthly base salaries	
	31 December 2022	31 December 2021
20 years	1	1
30 years	2	2
35 years	3	3
40 years	4	4
45 years	5	5

Retirement bonus based on years of service in the Group		
Seniority	No of gross monthly base salaries	
	31 December 2022	31 December 2021
Between 8 and 10 years	2	2
Between 10 and 25 years	3	3
More than 25 years	4	4

Termination benefits

(a) Termination benefits for individual lay-offs at the Group's initiative

In accordance with the Collective Labour Contracts concluded between the Group and the Unions, when individual labour contract are terminated at the Group's initiative, the Group pays termination benefits to the employees depending on their period of service, as follows:

Period of service	No of gross monthly base salaries	No of gross monthly base salaries
	31 December 2022	31 December 2021
1 – 2 years	2	2
2 – 5 years	3	3
5 – 10 years	4	4
10 – 20 years	5	5
More than 20 years	8	8

(b) Termination benefits for collective lay-offs at the Group's initiative

For collective lay-offs, according to the Collective Labour Contracts, the Group pays termination benefits to the employees depending on their period of service, as follows:

Period of service	No of gross monthly base salaries	
	31 December 2022	31 December 2021
1 – 3 years	3	3
3 – 5 years	6	6
5 – 10 years	7	7
10 – 20 years	11	11
More than 20 years	16	16

The above mentioned stipulations do not apply to employees with individual labour contract concluded for a determined period. The above stipulations do not apply to employees that obtained other higher cumulative salary compensation rights, provided by legal regulations regarding the Group's reorganization and restructuring. Employees who are re-employed within the Group after lay-off are not entitled to the above-mentioned benefits.

(iii)Sensitivity analysis

Significant actuarial assumptions for the determination of the benefit obligation are the discount rate, expected salary increase and retirement age. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Increase by 1%		Decrease by 1%	
	2022	2021	2022	2021
Discount rate	(9,237)	(12,489)	8,611	12,489

(All amounts are in THOUSAND RON, if not otherwise stated)

	Increase by 1%		Decrease by 1%	
Salary growth	9,415	12,957	(10,049)	(12,957)
	Increase by 1 year		**Decrease by 1 year**	
	2022	**2021**	**2022**	**2021**
Retirement age	812	3,677	(812)	(3,677)

The sensitivity analysis presented above may not be representative of the actual change in the benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of the benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the benefit obligation liability recognized in the statement of financial position.

16 Employee benefit expenses

	2022	2021
Average number of employees	7,760	7,919
Number of employees at 31 December	7,874	8,020

	2022	2021
Wages and salaries*	790,425	796,137
Social security contributions	20,694	19,486
Meal tickets	33,187	33,585
Termination benefits	267	6,135
Total employees benefits for the year	**844,573**	**855,343**
Capitalised employee benefit expenses	(21,151)	(52,667)
Total employees benefits in the statement of profit or loss	**823,422**	**802,676**

**Wages and salaries includes also current service cost, defined benefits and other long-term employee benefits.*

Management remuneration is disclosed in *Note 32 b) Related parties*.

17 Income taxes

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. The Group considers that the accounting records for taxes due are adequate for all open tax years, based on assessment made by management taking into account various factors, including the interpretation of tax legislation and previous experience. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period when such a determination is made.

(i) Amounts recognised in profit or loss

	2022	2021
Current tax expense	2,576	242
Deferred tax expense/(benefit)	102,502	(79,771)
Total expense/(benefit) related to income tax	**105,078**	**(79,529)**

(All amounts are in THOUSAND RON, if not otherwise stated)

(ii) Amounts recognised in other comprehensive income

	2022			2021		
	Before tax	**Tax expense**	**Net of tax**	**Before tax**	**Tax expense**	**Net of Tax**
Remeasurement of defined benefit liability	9,503	(1,479)	8,024	(5,891)	(45)	(5,936)
Total	**9,503**	**(1,479)**	**8,024**	**(5,891)**	**(45)**	**(5,936)**

(iii) Reconciliation of effective tax rate

	2022		2021	
Profit/(Loss) before tax		**663,923**		**(632,411)**
Tax/(Benefit) using Company's domestic tax rate	**16%**	**106,230**	**16%**	**(101,186)**
Non-deductible expenses	4%	28,843	-7%	45,558
Non-taxable income	-3%	(22,083)	3%	(15,878)
Deduction of legal reserves	-1%	(3,388)	0%	(2,574)
Other tax effects	0%	(137)	0%	(1,607)
Recognition of tax effect of previously unrecognised tax losses	-1%	(4,387)	1%	(3,842)
Income tax expense/(benefit)	**16%**	**105,078**	**13%**	**(79,529)**

(iv) Movement in deferred tax balances

				Balance at 31 December 2022		
2022	**Net balance at 1 January 2022**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	39,838	(2,858)	-	36,980	-	36,980
Intangible assets related to concession agreements	187,500	20,515	-	208,015	-	208,015
Employee benefits	(23,940)	1,360	1,479	(21,101)	(21,101)	-
Impairment of trade receivables	(24,732)	(6,198)	-	(30,930)	(30,930)	-
Tax loss carried forward	(95,972)	89,904	-	(6,068)	(6,068)	-
Other items	(4,299)	(222)	-	(4,521)	(4,521)	-
Tax liabilities/ (assets) before set-off	**78,395**	**102,501**	**1,479**	**182,375**	**(62,620)**	**244,995**
Set off of tax	-	-	-	-	32,440	(32,440)
Net tax liabilities/ (assets)	**78,395**	**102,501**	**1,479**	**182,375**	**(30,180)**	**212,555**

As of 31 December 2021, the Group recorded a deferred tax asset in amount of RON 95,972 thousand in relation to the fiscal losses incurred. The Group used RON 89,904 thousand as of 31 December 2022 to partially compensate the 2022 current tax liability.

(All amounts are in THOUSAND RON, if not otherwise stated)

				Balance at 31 December 2021		
2021	**Net balance at 1 January 2021**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	41,757	(1,919)	-	39,838	-	39,838
Intangible assets related to concession agreements	171,712	15,788	-	187,500	-	187,500
Employee benefits	(22,603)	(1,382)	45	(23,940)	(23,940)	-
Impairment of trade receivables	(20,859)	(3,873)	-	(24,732)	(24,732)	-
Tax loss carried forward	(7,765)	(88,207)	-	(95,972)	(95,972)	-
Other items	(4,121)	(178)	-	(4,299)	(4,299)	-
Tax liabilities/ (assets) before set-off	**158,121**	**(79,771)**	**45**	**78,395**	**(148,943)**	**227,338**
Set off of tax					65,412	(65,412)
Net tax liabilities/ (assets)					**(83,531)**	**161,926**

*see Note 30

(v) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the certain tax losses generated by the Company, because it is not probable that future taxable profit will be available against which the entity generating it can use the benefits therefrom.

	2022	2021
Tax losses	337,136	356,623

18 Trade receivables

	31 December 2022	31 December 2021
Trade receivables, gross	3,118,691	2,325,477
Bad debt allowance	(652,689)	(980,858)
Total trade receivables, net	**2,466,002**	**1,344,619**

Trade receivables from related parties are presented in Note 32.

Trade receivables, gross, comprise:

	31 December 2022	31 December 2021
Electricity distribution and supply	2,482,266	1,323,732
Late payment penalties receivable	80,658	81,311
Customers with judicial execution titles	347,667	766,109
Repairs, maintenance and other services	11,850	17,700
Other	196,250	136,625
Total trade receivables, gross	**3,118,691**	**2,325,477**

Electricity distribution and supply

Following the adoption of the Order no. 118/2021 with subsequent amendments and GEO no. 27/2022, the latter one being amended by GEO no. 119/2022, concerning the capping and compensation mechanism, part of the receivables due to the subsidiary Electrica Furnizare S.A. for the sale of electricity and gas are against the Romanian State through National Agency for Payments and Social Inspection and Ministry of Energy. On 31 December 2022, the amounts estimated to be received from the Ministry of Energy for non-household consumers are 20,480 thousand RON (31 December 2021: 11,420 thousand RON) and 21,043 thousand RON (31 December 2021: 59,271 thousand RON) from the National Agency for Payments and Social Inspection for household consumers.

(All amounts are in THOUSAND RON, if not otherwise stated)

The amounts will be recovered in approx. 40 days after submitting the required documentation to the National Agency for Payments and Social Inspection or Ministry of Energy, depending on the case. The receivables are booked under the caption "Electricity distribution and supply".

Oltchim

Oltchim (a state-controlled company) was an important customer of Electrica S.A. until January 2012, when the Company transferred the contract to Electrica Furnizare S.A. In January 2013, Oltchim entered into insolvency procedures and subsequently in May 2019 started the bankruptcy procedures.

By decision of the European Court in Luxembourg pronounced on 15 December 2021 (final decision being applicable as of 21 March 2022), in case T565/19, it was partially cancelled the European Commission Decision no. C (2018) 8592 from 2018, which established a series of measures regarding the recovery by Romania of the State aid granted to Oltchim S.A. By its decision, the European court cancelled a series of the measures, including the amounts considered state aid with which Electrica was registered in the table of receivables.

Following the evolution of the bankruptcy process, on 06 April 2022, the updated table of receivables was published in BPI Tabel Oltchim, which still recognizes only the guaranteed receivables, which in the case of Electrica S.A. the estimated amount that remains to be recovered from the sales of assets of Oltchim SA in the completion of the bankruptcy process is RON 116,058 thousand (including VAT), comprised of the base in the amount of RON 98,725 thousand and respectively the VAT in the amount of RON 17,333 thousand. Considering the events above, as of 31 December 2022 a part of the receivable for Oltchim in amount of RON 420,213 thousand was written off as it was not recognised in the final bankruptcy table. The bad debt allowance was also adjusted with the same amount. As of 31 December 2022, the balance of receivables with Oltchim is RON 115,943 thousand (Electrica S.A. RON 98,725 thousand and Electrica Furnizare S.A. RON 17,218 thousand), bad debt allowance being at the same amount.

The reconciliation between the opening balances and the closing balances of the impairment for trade receivables in the form of lifetime expected credit losses is as follows:

Lifetime expected credit losses	2022	2021
Balance as at 1 January	**980,858**	**949,573**
Loss allowance recognized	146,203	94,400
Decrease in loss allowance	(34,248)	(22,944)
Amounts written off	(440,124)	(40,171)
Balance as at 31 December	**652,689**	**980,858**

The aging of trade receivables is presented in Note 30.

The Group has identified 5 clusters of customers based on shared risk characteristics: 3 separate clusters for the distribution subsidiaries and 2 clusters (households and non-households) for the supply subsidiary.

A significant part of the bad debt allowances refers to clients in litigation, insolvency or bankruptcy procedures, many of them being older than five years. The Group will derecognize these receivables together with the related allowances after the finalization of the bankruptcy process. The amounts written-off relates to Oltchim (described above).

The Group has considered all the information available without undue costs (including forward looking information) that may affect the credit risk of its receivables since original recognition, thus recording a bad debt allowance in amount of RON 146,926 thousand.

(All amounts are in THOUSAND RON, if not otherwise stated)

19 Other receivables

	31 December 2022	31 December 2021
VAT receivable	13,024	12,566
Receivables from EU funds	13,932	-
Other receivables	120,777	56,158
Lifetime expected credit losses	(20,480)	(20,124)
Total other receivables, net	**127,253**	**48,600**

Other receivables include mainly guarantees from energy suppliers and receivables to be recovered from state authorities in respect to medical leave indemnities.

The reconciliation between the opening balances and the closing balances of the impairment for other receivables is as follows:

Loss allowance	2022	2021
Balance as at 1 January	**20,124**	**20,964**
Decrease in loss allowance	356	(840)
Balance as at 31 December	**20,480**	**20,124**

20 Cash and cash equivalents

	31 December 2022	31 December 2021
Bank current accounts	141,656	167,859
Call deposits	193,219	53,897
Cash in hand	12	74
Total cash and cash equivalents in the consolidated statement of financial position	**334,887**	**221,830**
Overdrafts used for cash management purposes	-	(627,402)
Total cash and cash equivalents in the consolidated statement of cash flows	**334,887**	**(405,572)**

In the normal course of business, the Group enters into short-term credit facility with the aim of financing operational needs. Until 31 December 2021, overdrafts amounting to RON 627,402 thousand were presented as part of cash and cash equivalents. Following the volatility in electricity prices started in 2021 and continued in 2022, these overdrafts have no longer fluctuated from negative to 0 balances, remained negative for the entire year 2022, thus the management of the Group presented these overdrafts for the year ended 31 December 2022 in financing activity, and reclassified the opening balance previously presented as cash and cash equivalents. (for further details please see transfer presented in Cash Flow statement).

The following information is relevant in the context of the consolidated statement of cash flows: non-cash activity includes set-off between trade receivables and trade payables of RON 53,106 thousand in 2022 (2021: RON 5,941 thousand)

21 Inventories

As at 31 December 2022 and 31 December 2021, inventories are as follows:

	31 December 2022	31 December 2021
Spare parts	29,589	28,569
Consumables and other materials	53,527	33,399
Natural gas	23,319	5,367
Other inventories	17,004	13,938
Allowance for impairment of inventories	(9,467)	(8,315)
Total inventories	**113,972**	**72,958**

(All amounts are in THOUSAND RON, if not otherwise stated)

Inventories include mainly spare parts, consumables and the natural gas storage (applicable only for the supply subsidiary) that was set up according to ANRE's regulations. Spare parts refer mainly to items such as cables, conductors, sockets, switches which are used for the distribution network.

As at 31 December 2022, the remaining quantity of natural gas stored is of MWh 107,427 (31 December 2021: MWh 12,186), amounting to RON 23,280 thousand (31 December 2021: RON 5,367 thousand).

22 Property, plant and equipment

The movements in property, plant and equipment in 2022 and 2021 are as follows:

	Land and land improvements	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Gross carrying amount						
Balance at 1 January 2021	**246,075**	**197,148**	**98,896**	**95,336**	**26,225**	**663,680**
Additions	-	167	482	150	8,368	**9,167**
Transfer from construction in progress	-	1,257	2,001	1,967	(5,225)	**-**
Disposals	(46)	(383)	(7,664)	(503)	(180)	**(8,776)**
Reclassification from/(to) assets held for sale	6,769	4,368	(1,914)	-	-	**9,223**
Balance at 31 December 2021	**252,798**	**202,557**	**91,801**	**96,950**	**29,188**	**673,294**
Reclassification of opening assets held for sale	1,024	4,115	-	-	-	5,139
Balance at 31 December 2021	**253,822**	**206,672**	**91,801**	**96,950**	**29,188**	**678,433**
Additions	1,179	-	1,977	804	5,475	**9,435**
Transfer from construction in progress	85	1,133	2,386	269	(3,778)	**95**
Disposals	(3,276)	(1,093)	(1,844)	(838)	(9)	**(7,060)**
Reclassification from/(to) assets held for sale	-		-	-	-	**-**
Acquisition of subsidiary (Note 31)	25	-	-	-	3,875	**3,900**
Balance at 31 December 2022	**251,835**	**206,712**	**94,320**	**97,185**	**34,751**	**684,803**
Accumulated depreciation and impairment losses						
Balance at 1 January 2021	**-**	**5,013**	**45,216**	**86,550**	**18,771**	**155,550**
Depreciation	-	7,532	8,865	4,721	-	**21,118**
Accumulated depreciation of disposals	-	(14)	(4,546)	(96)	-	**(4,656)**

(All amounts are in THOUSAND RON, if not otherwise stated)

	Land and land improvements	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Reversal of impairment loss	-	-	(3,805)	-	(137)	**(3,942)**
Reclassification from assets held to sale	-	947	(1,142)	-	-	**(195)**
Balance at 31 December 2021	**-**	**13,478**	**44,588**	**91,175**	**18,634**	**167,875**
Depreciation	-	8,022	7,378	4,515	-	**19,915**
Accumulated depreciation of disposals	-		(1,778)	(594)	-	**(2,372)**
Impairment loss	-	(5)	-	-	-	**(5)**
Reclassification from/(to) assets held for sale	-	-	-	-	-	**-**
Balance at 31 December 2022	**-**	**21,495**	**50,188**	**95,096**	**18,634**	**185,413**
Net carrying amounts						
At 1 January 2021	**246,075**	**192,135**	**53,680**	**8,786**	**7,454**	**508,130**
At 31 December 2021	**252,798**	**189,079**	**47,213**	**5,775**	**10,554**	**505,419**
At 31 December 2022	**251,835**	**185,217**	**44,132**	**2,089**	**16,117**	**499,390**

Tangible assets include mainly land, buildings and equipment.

In 2021, Electrica Serv S.A.'s Board of Directors approved the selling plan of part of the assets and accordingly, those assets were presented as Assets held for sale, being expected to be sold in the following period. During 2022, only 2 assets (4 in 2021) were sold in amount RON 1,940 thousand (RON 478 thousand in 2021). In October 2022, Electrica Serv S.A.'s Board of Directors postponed the sale approval of the remaining assets included in the selling plan, mentioning that it is unlikely that the selling intention will materialize. Consequently, the Company reclassified the items from assets held for sale to property plan and equipment.

Measurement of fair value

The Group's land, land improvements and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's land, land improvements and buildings as at 31 December 2020 were performed by Darian DRS S.A., an independent valuer not related to the Group. Darian DRS S.A. is member of the National Association of Authorised Romanian Valuers and has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties, whenever possible and discounted cash-flows method.

(All amounts are in THOUSAND RON, if not otherwise stated)

The following table shows the valuation techniques used in measuring fair values (Level 3), as well as the significant unobservable inputs used.

Category	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Land and land improvements	*Market approach* The fair value is estimated based on selling price per square meter of land of similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties and best use). The market price is mainly based on recent transactions.	• Adjustment for liquidity, location, size.	The estimated fair value would increase/(decrease) if: • Adjustment for liquidity, location or size would be lower/(higher)
Buildings	*Market approach and discounted cash-flows (DCF) method* Buildings were evaluated using the following methods, depending on the best use and the availability and credibility of available market information: *Market approach* The market approach is based on the selling price per square meter for buildings with similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties, and best use), adjusted for liquidity, location, size etc. *The DCF method* The valuation model based on the DCF method estimates the present value of net cash flows to be generated by a building taking into account occupancy rate and annual rent. The discount rate estimation considers, inter alia, the quality of a building and its location.	• Adjustment for liquidity, location, size. *Office space rent* • Occupancy rates (between 80% and 90%) • Yield rates (between 7% and 10%) • Annual rent per sqm (between 9 and 19 EUR/sqm), depending on location; *Commercial space rent* • Occupancy rates (between 85% and 90%) • Yield rates (between 7.25% and 11.5%) • Annual rent per sqm (between 10 and 60 EUR/sqm), depending on location;	• Adjustment for liquidity, location or size would be lower/(higher) • Occupancy rates were higher/(lower) • Yield rates were lower/(higher) • Annual rent per sqm was higher/(lower)

(All amounts are in THOUSAND RON, if not otherwise stated)

23 Intangible assets

Intangible assets include mainly intangible assets related to distribution service concession agreements recorded in accordance with IFRIC 12 “Service Concession Arrangements”, as well as licenses and costs of SAP ERP implementation, customer management and billing system and other software, as follows:

	Intangible assets related to concession agreements	Intangible assets from capitalization	Software and licenses	Intangible assets in progress	Total
Gross book value					
Balance at 1 January 2021	**9,631,960**	**-**	**188,679**	**1,367**	**9,822,006**
Additions	500,387	-	5,730	576	506,693
Transfers from intangible assets in progress	-	-	34	(34)	-
Disposals	-	-	(1,042)	-	(1,042)
Balance at 31 December 2021	**10,132,347**	**-**	**193,401**	**1,909**	**10,327,657**
Additions	611,294	989,291	7,694	140	1,608,419
Transfers from tangible assets in progress		-	2	(2)	-
Disposals	-	-	(1,006)	-	(1,006)
Balance at 31 December 2022	**10,743,641**	**989,291**	**200,091**	**2,047**	**11,935,070**
Accumulated amortization and impairment losses					
Balance at 1 January 2021	**4,176,775**	**-**	**182,833**	**-**	**4,359,608**
Amortization	441,015	-	4,536	-	445,551
Accumulated amortization of disposals	-	-	(1,042)	-	(1,042)
Balance at 31 December 2021	**4,617,790**	**-**	**186,327**	**-**	**4,804,117**
Amortization	449,987	37,734	3,960	-	491,681
Accumulated amortization of disposals	-	-	(1,005)	-	(1,005)
Balance at 31 December 2022	**5,067,777**	**37,734**	**189,282**	**-**	**5,294,793**
Net carrying amounts					
At 1 January 2021	**5,455,185**	**-**	**5,846**	**1,367**	**5,462,398**
At 31 December 2021	**5,514,557**	**-**	**7,074**	**1,909**	**5,523,540**
At 31 December 2022	**5,675,864**	**951,557**	**10,809**	**2,047**	**6,640,277**

The Group applies IFRIC 12 for the accounting of the transactions under these concession contracts. (See further details in Notes 4, 6(c) and 6(l)).

For the year ended 31 December 2022, the Group has recognized construction revenue related to the concession agreements of RON 611,294 thousand (2021: RON 500,387 thousand) and construction costs of RON 593,490 thousand (2021: RON 485,813 thousand).

(All amounts are in THOUSAND RON, if not otherwise stated)

The main information related to the current concession contracts agreements and the intangible assets amounts recognized for each network distribution area is summarized below:

Network distribution areas	Contract date	Concession period (years)	Contract expiry date	Concession period remaining (years)	Renewal option	Net carrying amount at 31 December 2022	Net carrying amount at 31 December 2021
Muntenia Nord area	2005	49	2054	33	Yes	1,995,309	1,915,567
Transilvania Nord area	2005	49	2054	33	Yes	1,890,409	1,836,161
Transilvania Sud area	2005	49	2054	33	Yes	1,816,646	1,762,829
Total						**5,702,364**	**5,514,557**

The concession contracts can be prolonged for a period up to half of the initial established period of 49 years.

The investments in relation to the development and modernization of the infrastructure incurred in 2022 refers mainly to:

- Modernization of the current transformer points and stations, current underground and overhead power lines in amount of RON 139,487 thousand (2021: RON 164,465 thousand);
- Investments related to improvements for electricity distribution network in amount of RON 79,132 thousand (2021: RON 143,965 thousand).
- Significant construction works of new transformer stations, new underground and overhead power lines in amount of 2022: RON 148,404 thousand (2021: RON 97,449 thousand);
- Acquisition of own car fleet, including utilities vehicles and specialized vehicles in amount of RON 58,256 thousand; (2021: RON 63,009 thousand);
- Modernization and inclusion in SCADA (which is an automatic control system which monitors the equipment) of transformers points and stations, in amount of RON 164 thousand (2021: RON 2,430 thousand);

During 2022, the additional expenses for actual energy costs as compared with the ex-ante ANRE prices recognised in distribution tariffs are capitalised as intangible assets. These costs will be recuperated in tariffs in 5 years.

The capitalised costs with own technological consumption are recognized for each network distribution area, the first asset being recorded on 30 September 2022 and the second one on 31 December 2022, is summarized below:

Network distribution areas	Intangible asset 01 Jan-30 Sep 2022 (gross value)	Intangible asset 01 Oct-31 Dec 2022 (gross value)	Amortisation during 2022	Net carrying amount at 31 December 2022
Muntenia Nord area	302,413	87,321	15,121	374,613
Transilvania Nord area	258,513	84,342	12,919	329,937
Transilvania Sud area	193,881	62,820	9,694	247,007
Total	**754,807**	**234,483**	**37,734**	**951,557**

24 Investments in associates

On 28 July 2021 and on 7 December 2021, Electrica SA concluded four agreements for the sale-purchase of shares in four project companies having as main activity the production of electricity from renewable sources. The sale-purchase agreements concluded, mention the fact that in the first stage the Group acquires 30% of the share capital of the four companies, remaining that in the following stages, to acquire the remaining 70% of the share capital after the conditions provided in the sale-purchase agreements will be fulfilled. By the end of 31 December 2022, two of the project companies were acquired by 60% (please see note 31), therefore they are accounted as subsidiaries, the other ones are as follows:

- **Crucea Power Park SRL**, develops the wind project "Crucea Est", with a projected installed capacity of 121 MW and a projected electricity storage capacity of 60 MWh (15 MW x 4h), located outside the Crucea area, Constanta County. The estimated purchase price for the "Crucea Est" wind project is 70 thousand EUR/MW for the aforementioned capacity, totalling the amount of 8,470 thousand EUR. On 28 July 2021, Electrica SA paid the amount of EUR 2,541 thousand representing 30% of the project value, respectively 30% of the shares of Crucea Power Park SRL.

(All amounts are in THOUSAND RON, if not otherwise stated)

- **Foton Power Energy SRL**, develops the photovoltaic project "Bihor 1", with a projected capacity of 77.5 MW, located near Inand city, Bihor County. The estimated purchase price for the photovoltaic project "Bihor 1" is 55 thousand EUR/MW for the aforementioned capacity, totalling the amount of 4,262.5 thousand EUR. On 7 December 2021, Electrica SA paid the amount of EUR 1,279 thousand representing 30% of the project value, respectively 30% of the shares of Foton Power Energy SRL.

Considering the holding percentage of 30%, as at 31 December 2022, the 2 entities are accounted for using the equity method in these consolidated financial statements as provided in the Group's accounting policies in note 6.

The cost of the investments at acquisition date, totalling the amount of RON 18,832 thousand, is detailed as follows:

	Crucea Power Park S.R.L.	Foton Power Energy S.R.L.
Acquisition date	**31.07.2021**	**31.12.2021**
Percentage ownership and voting rights at acquisition date	***30%***	***30%***
Net assets at acquisition date	(242)	(7)
Group's share of net assets	**(73)**	**(2)**
Goodwill	**12,573**	**6,334**
Cost of investment at acquisition date	**12,500**	**6,332**

Summarised financial information in respect of each of the Group's associates is set out below:

	Crucea Power Park S.R.L.	Foton Power Energy S.R.L.
	31.12.2022	**31.12.2022**
Non-current assets	8,520	244
Current assets	1,142	35
Non-current liabilities	(9,886)	(296)
Current liabilities	(44)	(1)
Net assets	**(268)**	**(18)**
Reconciliation to carrying amounts:		
Opening net assets at acquisition date	**(246)**	**(7)**
Loss for the period	(22)	(11)
Closing net assets 31.12.2022	**(268)**	**(18)**
	Crucea Power Park S.R.L.	**Foton Power Energy S.R.L.**
Closing net assets of associates 31.12.2022	**(268)**	**(18)**
Group's share in associates %	*30%*	*30%*
Group's share of net assets as at 31.12.2022	**(80)**	**(5)**
Goodwill	12,573	6,334
Carrying amount of interest in associate 31.12.2022	**12,492**	**6,329**

The share loss in amount of RON 13 thousand for the period was recognized in the consolidated statement of profit and loss for the year ended as at 31 December 2022.

(All amounts are in THOUSAND RON, if not otherwise stated)

25 Capital and reserves

(a) Share capital and share premium

The issued share capital in nominal terms consists of 346,443,597 ordinary shares as at 31 December 2022 (31 December 2021: 346,443,597) with a nominal value of RON 10 per share. As of 4 July 2014, after the Initial Public Offering ("IPO"), the Company's shares are listed on the Bucharest Stock Exchange and the Global Depositary Receipts are listed on the London Stock Exchange.

The shares owned by the Company's shareholders that are traded on the London Stock Exchange are the global depositary receipts (GDRs). A global depositary receipt represents four shares. The Bank of New York Mellon is the depositary bank for these securities. The GDRs' weight in Electrica's total share capital diminished following the Initial Public Offering, reaching a level of 0.7842% at the end of 2021 as compared to 10.17% at 4 July 2014.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share in the shareholders' meetings of the Company, except for the 6,890,593 treasury shares purchased by the Company in July 2014 in order to stabilize the price. All shares rank equally and confer equal rights to the net assets of the Company's, except for treasury shares.

The Company recognizes changes in share capital only after their approval in the General Shareholders Meeting and their registration by the Trade Register. The contributions made by the shareholders which are not yet registered with the Trade Register at year end are recognized as pre-paid capital contributions from shareholders.

The share premium resulted at IPO was RON 171,128 thousand. The transaction costs of RON 68,079 thousand were deducted from the share premium.

Following the SPO that took place in November 2019, the share capital of Electrica SA was increased by in kind and in cash contribution, with the amount of RON 5,037 thousand, from the amount of RON 3,459,399 thousand to the amount of RON 3,464,436 nuthousand, by issuing a number of 503,668 new nominative and dematerialized shares with a nominal value of 10 RON/share.

The costs generated by the secondary public offering were in amount of RON 964 thousand. Also, the Company recorded gains referring to share issue of RON 2,186 thousand, resulting from the difference between the contribution value of the plots of land and their value recorded as pre-paid capital contributions in kind from shareholders.

(b) Treasury shares reserve

In July 2014, the Company purchased 5,206,593 ordinary shares and 421,000 Global Depositary Receipts, equivalent to 1,684,000 shares (totalling 6,890,593 shares). The total amount paid for acquiring the shares and Global Depositary Receipts was RON 75,372 thousand.

(c) Revaluation reserve

The reconciliation between opening and closing balance of revaluation reserve is as follows:

		2022	2021
Balance at 1 January		**102,829**	**116,372**
Release of revaluation reserve to retained earnings corresponding to depreciation and disposals of property, plant and equipment		(10,712)	(13,543)
Balance as at 31 December		**92,117**	**102,829**

(d) Legal reserves

Legal reserves are set up as 5% of the gross profit for the year in the statutory individual financial statements of the companies within the Group, until the total legal reserves reach 20% of the paid-up nominal share capital of each company, according to the legislation. These reserves are deductible for income tax purposes and are not distributable.

(All amounts are in THOUSAND RON, if not otherwise stated)

	Legal reserves
Balance at 1 January 2021	**392,276**
Set-up of legal reserves	16,129
Balance at 31 December 2021	**408,405**
Set-up of legal reserves	21,178
Balance at 31 December 2022	**429,583**

(e) Dividends

Romanian companies may distribute dividends from statutory profits, according to the separate financial statements prepared in accordance with Romanian accounting regulations.

The dividends declared by the Company in 2022 and 2021 (from the statutory profits of previous years) are as follows:

	Distribution of dividends	
	2022	**2021**
To the owners of the Company	152,798	247,874
Total	**152,798**	**247,874**

On 20 April 2022 the General Shareholders Meeting of the Company approved dividend distribution of RON 152,799 thousand (2021: RON 247,874 thousand). The dividend per share distributed is RON 0.45 per share (2021: RON 0.73 per share). When calculating the dividend per share, the Company's repurchased own shares (6,890,593 shares) were not considered as outstanding shares and are deducted from the total number of issued ordinary shares.

Out of the dividends declared by the Company of RON 152,799 thousand (2021: RON 247,874 thousand), the dividends paid were of RON 152,447 thousand (2021: RON 247,258 thousand) the remaining difference represents dividends uncollected by the shareholders.

26 Trade payables

	31 December 2022	31 December 2021
Electricity suppliers	970,815	619,653
Capital expenditure suppliers	243,715	156,546
Other suppliers	192,567	115,136
Total	**1,407,097**	**891,335**

Electricity suppliers are mainly state-owned electricity producers, as detailed in Note 32, but also other participants to the electricity market.

Other suppliers include suppliers of services, materials, consumables, etc.

27 Other payables

	31 December 2022		31 December 2021	
	Current	**Non-current**	**Current**	**Non-current**
VAT payable	565,075	-	133,833	-
Liabilities towards the State	11,733	-	7,148	-
Other liabilities	290,728	72,432	130,282	32,732
Total	**867,536**	**72,432**	**271,263**	**32,732**

Other liabilities include mainly guarantees, sundry creditors, connection fees, habitat tax and cogeneration contribution. Other non-current liabilities refer to guarantees from customers related to electricity supply.

28 Provisions

	Tax related	Other	Total
Balance at 1 January 2022	**1,084**	**33,838**	**34,922**
Provisions recognized	-	40,800	40,800
Provisions utilised	-	(3,021)	(3,021)
Provisions reversed	-	(19,000)	(19,000)
Balance at 31 December 2022	**1,084**	**52,617**	**53,701**

As at 31 December 2022, provisions refer mainly to benefits upon the termination of executive directors' mandate contracts in the form of a non-compete clause amounting to RON 1,839 thousand (31 December 2021: RON 3,971 thousand) and for various claims and litigations involving the Group companies in amount of RON 51,8623 thousand (31 December 2021: RON 30,951 thousand).

For the supply segment, during 2022 the Group set up a provision on the supply segment in amount of RON 3,880 thousand in relation to a claim with EDPR Romania SRL. Also, starting with July 2022, from the amendment of the Performance Standard 82/2021, the compensations are calculated daily or weekly and paid to the customers. Thus, for the provision recognized until 30 June 2022, was recorded a reversal in amount of RON 7,947 thousand and an additional provision of RON 6,900 thousand was set up for the period July-December 2022.

For the distribution segment, during 2022 was recorded a provision in amount of RON 24,345 thousand with ANCOM. Through the action formulated in file 7407/2/2020, ANCOM Decision 1177/13.11.2020 which established the pole rent rates for former SDEE MN, SDEE TN, SDEE TS (actual DEER) was challenged. Decision 1177/13.11.2020 was issued by ANCOM as a result of Telekom Romania's appeal, dissatisfied with the tariffs charged by former SDEE MN, SDEE TN and SDEE TS (actual DEER), based on the study approved at the Group level. In 2022, The Court of Appeal of Bucharest rejected the appeal filed by DEER through sentence 2509/2022, therefore, the Group recorded a provision in this regard, calculated as the difference between the rates in the contract and those in the ANCOM decision.

29 Bank borrowings and overdrafts

Drawings and repayments of borrowings during the year ended 31 December 2022 were as follows:

	Currency	Interest rate	Maturity year	Amount (RON thousand)
Balance at 1 January 2022				**628,489**
Drawings of borrowings during the period, out of which:				
EBRD	RON	Floating rate (1.15% + interbank rate + ROBOR spread)	2031	113,451
Eximbank Romania	RON	ROBOR 3M+1.65%	2024	4,110
Vista Bank	RON	ROBOR 3M+2.95%	2024	100,000
Total drawings				**217,561**
Accumulated interest				9,124
Payment of interest				28,957
out of which paid in 2021				(1,536)
Reimbursements, out of which:				**92,925**
BRD	RON	3,99%	2026	20,800
BRD	RON	3.85%	2028	11,432
BRD	RON	3,85%	2028	14,286
Banca Transilvania	RON	4.59%	2027	17,857

	Currency	Interest rate	Maturity year	Amount (RON thousand)
Unicredit Bank	RON	3.85%	2026	9,600
BCR	RON	ROBOR 3M+1%	2028	18,950
Balance at 31 December 2022				**760,713**

As at 31 December 2022, respectively 31 December 2021, the bank borrowings is as follows:

Lender	Borrower	Balance at 31 December 2022	Balance at 31 December 2021
Banca Transilvania	Distributie Energie Electrica Romania (fosta SDEE Transilvania Sud S.A.)	80,367	98,227
UniCredit Bank	Distributie Energie Electrica Romania (fosta SDEE Transilvania Nord S.A.)	38,793	48,498
BRD	Distributie Energie Electrica Romania (fosta SDEE Muntenia Nord S.A.)	83,200	104,000
BRD	Distributie Energie Electrica Romania (fosta SDEE Transilvania Nord S.A.)	78,571	92,857
BRD	Distributie Energie Electrica Romania (fosta SDEE Transilvania Sud S.A.)	62,904	74,342
BCR	Distributie Energie Electrica Romania (fosta SDEE Muntenia Nord S.A.)	109,785	128,243
EBRD	Distributie Energie Electrica Romania	202,983	82,322
Eximbank Romania	Distributie Energie Electrica Romania	4,110	0
Vista Bank	Societatea Energetica Electrica S.A.	100,000	0
Total		**760,713**	**628,489**
Less: current portion of the long-term bank borrowings		(104,400)	(508,197)
Less: accumulated interest		(9,120)	(1,536)
Total long-term borrowings, net of current portion		**647,193**	**118,756**

Bank Borrowings description

Investment loan granted by Banca Transilvania

On 18 July 2019, Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., currently Distributie Energie Electrica Romania S.A., as a borrower, concluded with Banca Transilvania an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum loan amount: RON 125,000 thousand; Interest rate: fixed, 4.59% per annum; Reimbursements: quarterly instalments until 30.06.2027; Grace period: 12 months. As at 31 December 2022, the outstanding balance is of RON 80,367 thousand, of which RON 80,357 thousand principal and RON 10 thousand accrued interest. (Outstanding balance as at 31 December 2021: RON 98,227 thousand)

a) *Investment loan granted by Unicredit Bank*

On 13 November 2019, Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., currently Distributie Energie Electrica Romania S.A., as borrower, concluded with Unicredit Bank an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum loan amount: RON 60,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 13.11.2026; Grace period: 12 months. As at 31 December 2022, the outstanding balance is of RON 38,793 thousand, of which RON 38,400 thousand principal and RON 393 thousand accrued interest. (Outstanding balance as at 31 December 2021: RON 48,498 thousand)

b) Investment loan granted by BRD – Groupe Societe Generale

On 29 October 2019, Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., currently Distributie Energie Electrica Romania S.A., as borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum loan amount: RON 130,000 thousand; Interest rate: fixed, 3.99% per annum; Reimbursements: quarterly instalments until 28.10.2026; Grace period: 12 months. As at 31 December 2022, the outstanding balance is of RON 83,200 thousand. (Outstanding balance as at 31 December 2021: RON 104,000 thousand)

c) Investment loan granted by BRD – Groupe Societe Generale

On 25 June 2020, Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., currently Distributie Energie Electrica Romania S.A., as a borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: RON 100,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 31 December 2022, the outstanding balance is of RON 78,571 thousand. (Outstanding balance as at 31 December 2021: RON 92,857 thousand)

d) Investment loan granted by BRD – Groupe Societe Generale

On 25 June 2020, Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., currently Distributie Energie Electrica Romania S.A. as a borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: RON 80,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 31 December 2022, the outstanding balance is RON 62,904 thousand, of which RON 62,857 thousand principal and RON 47 thousand accrued interest. (Outstanding balance as at 31 December 2021: RON 74,342 thousand)

e) Investment loan granted by Banca Comerciala Romana (“BCR”)

On 17 September 2020, Societatea de Distributie a Energiei Electrica Muntenia Nord S.A., currently Distributie Energie Electrica Romania S.A., as a borrower and Electrica SA as a guarantor, concluded with Banca Comerciala Romana S.A. an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: Ron 155,000 thousand; Interest rate: ROBOR 3M+1% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 31 December 2022, the outstanding balance is RON 109,785 thousand, of which RON 108,961 thousand principal and RON 824 thousand accrued interest. (Outstanding balance as at 31 December 2021: RON 128,243 thousand)

f) Investment loan granted by the European Bank for Reconstruction and Development (“BERD”)

On 2 July 2021, Societatea de Distributie Energie Electrica Romania SA, as a borrower, concluded with the European Bank for Reconstruction and Development a credit agreement for investments in order to finance investments in the electricity distribution network according to the 2021-2023 investment plan. The main provisions are: The maximum value of the loan RON 195,136 thousand; Interest rate: agreed individually for each tranche drawn; Repayments: 17 half-yearly instalments until 31.07.2031; Grace period: 24 months. As at 31 December 2022, the outstanding balance is RON 202,983 thousand, of which RON 195,136 thousand principal and RON 7,847 thousand accrued interest. The loan agreement is guaranteed by Electrica SA.

(All amounts are in THOUSAND RON, if not otherwise stated)

g) Investment loan granted by the European Investment Bank ("BEI")

On 14 July 2021, Societatea de Distributie Energie Electrica Romania SA, as a borrower, concluded with the European Investment Bank an investment credit contract for the purpose of financing investments in the electricity distribution network according to the 2021-2023 investment plan. The main provisions are: Maximum value of the loan: EUR 120,000 thousand; Interest rate and Repayments will be agreed individually for each tranche drawn. On 31 December 2022, the outstanding balance is Nil as no withdraw was made from the loan. The loan agreement is guaranteed by Electrica SA.

h) Loan for financing current activity granted by Eximbank Romania

On 22 December 2022, Distributie Energie Electrica Romania S.A., as a borrower, concluded with Eximbank Romania a credit agreement for a period of 24 months. The main provisions are: Maximum loan amount: 250,000 thousand RON; Interest rate: ROBOR 3M +1.65 % p.a.; Repayments: 6 equal quarterly instalments; Grace period: 6 months.

On 31 December 2022, the outstanding balance is RON 4,110 thousand. The loan benefits from a guarantee in the name and account of the state and is guaranteed by Electrica SA.

i) Line of Credit for working capital and for issuing Bank Guarantee Letters granted by Vista Bank

On 30 December 2022, Societatea Energetica Electrica S.A., as the borrower, concluded a contract for a line of credit for working capital and for the issuance of Bank Guarantee Letters granted by Vista Bank for a period of 18 months. The main provisions are: Maximum credit amount: 100,000 thousand RON; Interest rate: ROBOR 3M +2.95 % p.a.; full refund at maturity. On 31 December 2022, the balance of the loan is 100,000 thousand RON.

Overdrafts

Until the authorization for issue of these Consolidated Financial Statements by the Board of Directors, the Group has overdrafts from various banks (ING Bank N.V., Raiffeisen Bank, Banca Comerciala Romana, Banca Transilvania, BNP Paribas, Intesa Sanpaolo Bank, BRD – Groupe Societe Generale S.A., Alpha Bank and UniCredit) with a total overdraft limit of up to RON 2,743,542 thousand (Total overdraft limit as at 31 december 2021: RON 1,830,000 thousand).

The overdraft facilities are used for financing activities. The outstanding balance of the overdraft facilities as at 31 December 2022 is of RON 2,571,037 thousand (31 December 2021: RON 627,402 thousand).

Lender (overdrafts)	Borrower	Balance at 31 December 2022	Balance at 31 December 2021
ING Bank N.V	Societatea Energetica Electrica S.A.	209,138	120,691
Alpha Bank	Electrica Furnizare S.A.	147,497	-
BCR	Electrica Furnizare S.A.	227,311	16,125
BRD	Electrica Furnizare S.A.	216,570	-
Banca Transilvania	Electrica Furnizare S.A.	185,528	-
ING Bank N.V	Electrica Furnizare S.A.	169,600	-
Raiffeisen Bank	Electrica Furnizare S.A.	343,001	282,477
UniCredit Bank	Electrica Furnizare S.A.	300,294	-
BCR	Distributie Energie Electrica Romania S.A	208,412	-
Banca Transilvania	Distributie Energie Electrica Romania S.A	158,965	109,748
ING Bank N.V	Distributie Energie Electrica Romania S.A	49,855	-
Intesa San Paolo	Distributie Energie Electrica Romania S.A	135,096	98,361
Raiffeisen Bank	Distributie Energie Electrica Romania S.A	219,770	-
Total overdrafts		**2,571,037**	**627,402**

Financial Covenants

The financial covenants specified in the agreements with BRD – Groupe Societe Generale, Unicredit Bank, Banca Comerciala Romana, European Bank for Reconstruction and Development and European Investment Bank have been fulfilled as at 31 December 2022.

Pledged Assets

On 31 December 2022, for several overdrafts the Group has pledges (guarantees) for trade receivables amounts, as specified on contracts.

Bank Guarantees

The maximum limit of the facility for issuing bank guarantees (credit facility for issuing guarantee instruments and multi-product lines) RON 2,502,000 thousand, of which non-cash uses RON 1,045,153 thousand.

30 Financial instruments - fair values and risk management

(a) Accounting classifications and fair values

Financial assets are measured at amortised cost as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The Group assessed that the carrying amount is a reasonable approximation of the fair value for the financial assets and financial liabilities.

(b) Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk;
- market risk.

These risks are further explained and detailed.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents, restricted cash and bank deposits.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In the past, the Group had a high credit risk mainly from State-owned companies.

Cash and bank deposits are placed in financial institutions which are considered to have low risk of default.

The carrying amount of financial assets represents the maximum credit exposure.

Trade receivables

The Group's credit risk in respect of receivables was concentrated in the past around state-controlled companies and in the recent years refers to clients that are facing financial difficulties in their industries due to specific changes in circumstances in their industry sector. The Group has implemented a policy on credit risk management and is also considering securing trade receivables. Also, the electricity supply contracts include termination clauses in certain circumstances.

The Group establishes an allowance for impairment that represents the amount of expected credit losses, calculated based on the expected loss rates.

Impairment

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables for customers as at 31 December 2022:

(All amounts are in THOUSAND RON, if not otherwise stated)

	31 December 2022				
	Expected credit loss rates ("ECL")	**Gross value**	**Lifetime ECL**	**Net trade receivables**	**Credit impaired**
Neither past due nor impaired	3%	1,951,656	(60,310)	1,891,346	No
Past due 1-30 days	4%	490,985	(19,342)	471,643	No
Past due 31-60 days	16%	66,365	(10,488)	55,877	No
Past due 61-90 days	35%	27,259	(9,671)	17,588	No
Past due more than 90 days	95%	582,426	(552,878)	29,548	Yes
Total		**3,118,691**	**(652,689)**	**2,466,002**	

The Group performed a sensitivity analysis and a 5% increase in the expected credit loss rates would not lead a material impact on the results of the Group.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables for customers as at 31 December 2021:

	31 December 2021				
	Expected credit loss rates ("ECL")	**Gross value**	**Lifetime ECL**	**Net trade receivables**	**Credit impaired**
Neither past due nor impaired	2%	1,080,179	(16,615)	1,063,564	No
Past due 1-30 days	5%	228,537	(10,598)	217,939	No
Past due 31-60 days	15%	36,646	(5,317)	31,329	No
Past due 61-90 days	38%	15,428	(5,930)	9,498	No
Past due more than 90 days	98%	964,687	(942,398)	22,289	Yes
Total		**2,325,477**	**(980,858)**	**1,344,619**	

Details of the main movements in the allowances for doubtful debts are disclosed in Note 18.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Group also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables. In addition, the Group maintains overdrafts (refer to Note 29).

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

	Carrying amount	Contractual cash flows				
Financial liabilities		**Total**	**less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
31 December 2022						
Bank overdrafts	2,571,037	2,571,037	2,571,037	-	-	-

Financial liabilities	Carrying amount	Contractual cash flows				
		Total	less than 1 year	1-2 years	2-5 years	More than 5 years
Lease liability	53,673	53,673	19,211	10,795	10,645	13,022
Long term bank borrowings	760,713	760,713	113,520	354,471	200,505	92,217
Trade payables	1,407,097	1,407,097	1,407,097	-	-	-
Total	**4,792,520**	**4,792,520**	**4,110,865**	**365,266**	**211,150**	**105,239**
31 December 2021						
Bank overdrafts	627,402	627,402	627,402	-	-	-
Lease liability	21,544	21,544	9,442	4,874	5,071	2,157
Long-term bank borrowings	628,489	628,489	509,733	27,455	82,372	8,929
Trade payables	891,335	891,335	891,335	-	-	-
Total	**2,168,770**	**2,168,770**	**2,037,912**	**32,329**	**87,443**	**11,086**

(iii) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its financial instruments held. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency of the Group. The functional currency of all entities belonging to the Group is the Romanian Leu (RON).

The currency in which these transactions are primarily denominated is RON. Certain liabilities are denominated in foreign currency (EUR). The Group also has deposits and bank accounts denominated in foreign currency (EUR). The Group's policy is to use the local currency in its transactions as far as practically possible. The Group does not use derivative or hedging instruments.

Exposure to currency risk

The summary of quantitative data about the Group's exposure to currency risk is as follows:

	31 December 2022	31 December 2021
in thousands of RON	denominated in EUR	denominated in EUR
Cash and cash equivalents	277	812
Lease liability	(21,004)	(19,118)
Net statement of financial position exposure	**(20,727)**	**(18,306)**

The following significant exchange rates have been applied during the year:

	Average rate		Year-end spot rate	
RON	**2022**	**2021**	**2022**	**2021**
EUR 1	4.9315	4.9204	4.9474	4.9481

Sensitivity analysis

A reasonably possible strengthening (weakening) of the EUR against RON at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

(All amounts are in THOUSAND RON, if not otherwise stated)

	Profit before tax	
Effect	**Strengthening**	**Weakening**
31 December 2022		
EUR (5% movement)	(1,036)	1,036
31 December 2021		
EUR (5% movement)	(915)	915

Interest rate risk

For financing purposes, the Group uses both medium and long-term bank loans and short term loans in the form of overdraft facilities (please see Notes 20, 30).

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings (please see Notes 20, 30), as the long term borrowings are contracted mainly at fixed rates, while the overdraft facilities bear variable rates. The Group does not have in place hedging contracts for interest rate.

The Groups exposures to interest rates on financial assets and financial liabilities are detailed below. The Group is exposed to the interest rate benchmark ROBOR, which is the interest rate on the Romanian interbank market.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	31 December 2022	31 December 2021
Fixed-rate instruments		
Financial assets		
Call deposits	193,219	53,897
Financial liabilities		
Long-term bank borrowings	(651,752)	(418,893)
Lease liability	(37,378)	(8,276)
	(495,911)	**(373,272)**
Variable-rate instruments		
Financial liabilities		
Lease liability	(16,295)	(13,268)
Long-term bank borrowings	(108,961)	(209,596)
Bank overdrafts	(2,571,037)	(627,402)
	(2,696,293)	**(850,266)**

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit before tax	
	50 bp increase	**50 bp decrease**
31 December 2022		
Variable-rate instruments	(13,481)	13,481
31 December 2021		
Variable-rate instruments	(4,251)	4,251

(All amounts are in THOUSAND RON, if not otherwise stated)

31 Acquisition of subsidiaries

On 6 September 2022, Electrica acquired 75% of Green Energy Consultancy & Investments S.R.L. shares granting control of the entity.

On 21 March 2022 the Group acquired an additional 30% of the shares and voting interests in Sunwind Energy S.R.L.. As a result, the Group's equity interest increased from 30% to 60%, gaining control of Sunwind Energy S.R.L..

On 27 May 2022 the Group acquired an additional 30% of the shares and voting interests in New Trend Energy S.R.L.. As a result, the Group's equity interest increased from 30% to 60%, gaining control of New Trend Energy S.R.L..

The Group has concluded that the new purchased subsidiaries represent a business combination.

Taking control of both New Trend Energy S.R.L. and Sunwind Energy S.R.L. will enable the Group to develop a portfolio of electricity generation capacities from renewable sources.

A. Consideration transferred

The Consideration transferred for the shares acquired was as follows:

	Green Energy Consultancy & Investments S.R.L. (31 August 2022)	New Trend Energy S.R.L. (31 May 2022)	Sunwind Energy S.R.L. (31 March 2022)	Total
Cash	1,446	802	2,204	**4,452**
Fair value of pre-existing interest	-	4,786	2,190	**6,976**
Consideration transferred	**1,446**	**5,588**	**4,394**	**11,428**

B. Acquisition-related costs

The Group incurred acquisition-related costs of RON 100 thousand relating to external legal fees and due diligence costs. These costs have been included in "Other operating expenses" in the condensed consolidated statement of profit or loss.

C. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Green Energy Consultancy & Investments S.R.L. (31 August 2022)	New Trend Energy S.R.L. (31 May 2022)	Sunwind Energy S.R.L. (31 March 2022)	Total
Property, plant and equipment	239	273	163	**675**
Right of use assets	-	6,095	2,862	**8,957**
Trade and other receivables	-	46	20	**66**
Cash and Cash equivalents	1	7	-	**8**
Total assets	**240**	**6,421**	**3,045**	**9,706**
Trade and other payables	(196)	(1)	(1)	(198)
Finance lease liability	-	(6,764)	(3,184)	(9,948)
Other non-current liabilities	-	(332)	(191)	(523)
Other payables	(47)	(8)	-	(55)

(All amounts are in THOUSAND RON, if not otherwise stated)

Total liabilities	**(243)**	**(7,105)**	**(3,376)**	**(10,724)**
Net assets	**(3)**	**(684)**	**(331)**	**(1,018)**

D. Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Green Energy Consultancy & Investments S.R.L. (31 August 2022)	New Trend Energy S.R.L. (31 May 2022)	Sunwind Energy S.R.L. (31 March 2022)	Total
Consideration transferred	1,446	5,588	4,394	**11,428**
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities	(1)	(274)	(132)	**(407)**
Fair value of identifiable net assets	3	684	331	**1,018**
Goodwill	**1,448**	**5,998**	**4,593**	**12,039**

The goodwill is attributable mainly to the know-how of the projects and the synergies expected to be achieved from integrating the companies into the Group's existing business. The management has concluded by assessing internal and external sources, that there is no indication that the goodwill may be impaired. None of the goodwill recognized is expected to be deductible for tax purposes.

32 Related parties

(a) Main shareholders

As at 31 December 2022 and 31 December 2021, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy with a share of ownership of 48.79% from the share capital.

(b) Management and administrators' compensation

	2022	2021
Executive Management compensation	34,726	34,429

Executive management compensation refers to both the managers with mandate contract and those with labour contract, from both the subsidiaries and Electrica SA. This also includes the benefits in the event of the termination of mandate contracts for executive directors.

Compensations granted to the members of the Board of Directors were as follows:

	2022	2021
Members of Board of Directors	3,063	3,992

Electrica SA's Board of Directors comprises 7 members. According to the remuneration policy approved by the General Meeting of Shareholders that took place on 20 April 2022, the annual number of paid sessions is limited to twelve for Board of Directors meetings and to six for each of the committees. Additional committee meetings can be organized only in exceptional situations, upon the Chairs' committee decision, who are responsible to efficiently organize the agenda and activity. However, only one such additional meeting shall be remunerated, for each committee.

No loans were granted to directors or administrators in 2022 and 2021.

(c) Transactions with companies in which the state has control or significant influence

The Group has transactions with companies in which the State has control or significant influence in the ordinary course of business, related mainly to the acquisition of electricity, transport and system services and sale of electricity. Significant purchases and balances are mainly with energy producers/suppliers, as follows:

(All amounts are in THOUSAND RON, if not otherwise stated)

	Purchases (without VAT)		Balance (including VAT)	
Supplier	**2022**	**2021**	**31 December 2022**	**31 December 2021**
OPCOM	2,727,101	1,700,630	23,981	29,203
Transelectrica	968,470	756,925	185,856	155,931
Nuclearelectrica	866,763	512,915	93,013	43,343
Hidroelectrica	581,598	241,722	42,493	19,711
Complexul Energetic Oltenia	478,813	396,072	45,257	31,502
OMV Petrom SA	261,123	-	26,349	-
SNGN Romgaz SA	197,490	10,727	7,445	3,305
Electrocentrale Bucuresti	191,862	34,776	-	-
ANRE	10,458	10,320	14	132
Transgaz	8,029	8,958	986	1,226
Others	7,768	7,889	1,168	1,332
Total	**6,299,475**	**3,680,934**	**426,562**	**285,685**

The Group also makes sales to companies in which the State has control or significant influence representing supply of electricity, of which the most important transactions are the following:

	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
Client	**2022**		**31 December 2022**	
OPCOM	326,640	22,630	-	22,630
Transelectrica	314,253	112,754	-	112,754
SNGN Romgaz SA	86,353	2,253	9	2,245
Hidroelectrica	68,716	16,429	-	16,429
CN Romarm	17,386	648	0	648
CFR Electrificare	10,332	2,089	-	2,089
Transgaz	11,580	764	0	764
CN Remin SA	704	71,279	71,148	132
C.N.C.A.F MINVEST SA	-	26,802	26,802	-
-Oltchim	-	115,943	115,943	-
CET Braila	5	3,365	3,361	3
Termoelectrica	0	1,206	1,206	-
Others	127,686	11,277	522	10,754
Total	**963,655**	**387,439**	**218,991**	**168,448**

	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
Client	**2021**		**31 December 2021**	
OPCOM	162,855	28,468	-	28,468
Transelectrica	92,505	27,091	-	27,091
SNGN Romgaz SA	48,099	1,664	-	1,664
Hidroelectrica	19,622	2,638	-	2,638
CN Romarm	14,156	1,093	-	1,093
CFR Electrificare	10,410	507	-	507
C.N.C.F CFR SA	8,281	701	(1)	700
CNAIR	6,928	962	-	962
Municipiul Galati	4,568	12	(12)	-

(All amounts are in THOUSAND RON, if not otherwise stated)

	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
Client	**2021**		**31 December 2021**	
Transgaz	2,249	1,571	-	1,571
CN Remin SA	700	71,216	(71,216)	-
C.N.C.A.F MINVEST SA	-	26,802	(26,802)	-
Oltchim	-	536,156	(536,156)	-
CET Braila	9	3,361	(3,361)	-
Termoelectrica	-	1,206	(1,206)	-
National Agency for Payments and Social Inspection	-	59,271	-	59,271
Ministry of Energy	-	11,420	-	11,420
Altii	32,956	2,204	(536)	1,668
Total	**403,338**	**776,343**	**(639,290)**	**137,053**

33 Contingencies

Contingent liabilities

Fiscal environment

Tax audits are frequent in Romania, consisting of detailed verifications of the accounting records of taxpayers. Such audits sometimes take place after months, even years, from the date liabilities are established. Consequently, companies may be found liable for significant taxes and fines. Moreover, tax legislation is subject to frequent changes and the authorities demonstrate inconsistency in interpretation of the law.

Income tax returns may be subject to revision and corrections by tax authorities, generally for a five-year period after they are completed.

The Group may incur expenses related to previous years' tax adjustments as a result of controls and litigations with tax authorities. The management of the Group believes that adequate provisions were recorded in the consolidated financial statements for all significant tax obligations; however a risk persists that the tax authorities might have different positions.

Tax inspection report for SDEE Muntenia Nord S.A.

The subsidiary SDEE Muntenia Nord S.A. was subject to a tax audit performed by the Local Taxes Department of Galati City Hall that referred to the building taxes paid for the period 2012-2016. The tax audit was finalized in December 2019, when the fiscal inspection report was communicated to the subsidiary. The fiscal report established additional payment obligations for the subsidiary representing building tax for the period 01.01.2012-31.12.2015 in the total amount of RON 24,831 thousand, of which principal in amount of RON 12,051 thousand and related late penalties computed as of October 2019, in amount of RON 12,780 thousand. The amount of late charges was recalculated to RON 13,021 thousand between the tax inspection report date and principal debt payment date. Litigious actions were started in order to challenge the tax inspection report.

The Group recognised an expense in amount of RON 12,051 thousand during the year ended 31 December 2019 in accordance with IFRIC 23 *„Uncertainty over Income Tax Treatments"*. At the same time, for the late penalties in the amount of RON 13,021 thousand, a letter of bank guarantee was established in the amount of RON 13,021 thousand valid until 10 August 2023, in order to mitigate the associated risks.

(All amounts are in THOUSAND RON, if not otherwise stated)

Other litigations and claims

The Group is involved in a series of litigations and claims (ie. with ANRE, NAFA, Court of Accounts, claims for damages, claims over land titles, labour related litigations etc.).

As summarised in Note 28, the Group set-up provisions for the litigations or claims for which the management assessed as probable the outflow of resources embodying economic benefits due to low chances of favourable outcomes of those litigations or disputes. The Group does not present information in the financial statements and did not set-up provisions for items for which the management assessed as remote the possibility of outflow of economic benefits.

The Group discloses if the case information on the most significant items of litigations or claims for which the Group did not set-up provisions as they relate to possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group (ie. litigations for which different inconsistent sentences were issued by the Courts, or litigations which are in early stages and no preliminary ruling was issued so far).

34 Commitments

(a) Contractual commitments

Contractual commitments as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Purchase of electricity	802,252	3,200,154
Purchase of green certificates	129,246	132,937
Purchase of property, plant and equipment and intangible assets	446,937	212,930
Purchase of investments	289,636	60,485
Total	**1,668,071**	**3,606,506**

(b) Investment program

The investment program at Group level approved for the year 2023 is as follows:

	2023
Distribution activity	848,800
Supply activity	61,200
Maintenance activity	10,500
Production activity	343,000
Other/ shared	33,500
Total	**1,297,000**

The capital expenditures actually incurred may differ from the ones planned.

(c) Guarantees and pledges

At 31 December 2022 and 31 December 2021, the Group has guarantees on its bank accounts opened at ING Bank N.V., Raiffeisen Bank, Banca Comerciala Romana, Banca Transilvania and Intesa Sanpaolo Bank for the overdrafts contracted (please see Note 29), and also on its bank accounts opened at BRD – Group Societe Generale, Unicredit Bank, Banca Transilvania and Banca Comerciala Romana for the long-term borrowings contracted (please see Note 29).

At 31 December 2022, the Group has outstanding bank letters of guarantee of RON 952,008 thousand (31 December 2021: RON 1,088,629 thousand) issued in favour of its suppliers.

(d) Audit fees

The audit fees for the consolidated financial statements were in amount of 957 thousand RON, and during the year 2022, non-audit services fees were in amount of 377 thousand RON (limited review of the interim consolidated financial statements, verification of the degree of fulfilment of the financial indicators stipulated in the contract, analysis and verification of transactions reported according to art. 923 para. 5 of Law no. 24/2017).

(All amounts are in THOUSAND RON, if not otherwise stated)

35 Subsequent events

Vulturu project

The project company Green Energy Consultancy & Investments S.R.L, having as main object of activity the production of energy from photovoltaic sources, was acquired 100% on 6 February 2023, until 31 December 2022 was acquired 75% (please see note 1). Green Energy Consultancy & Investments S.R.L. develops the photovoltaic project "Vulturu", with a designed installed capacity of 12 MWp DC (peak power at the panels level) and 9.75 MW AC (authorised power for delivery into the grid), located near Vulturu locality, Vrancea county. The project is in the "ready-to-build" phase.

Concession agreements amendments

On 20 January 2023, the Ministry of Energy as concessionainre amended the concession agreement with the Group for the distribution segment to reflect that in case of early termination of the concession agreement, for any reasons, the cocessionaire would reimburse to the Group the value of actual costs with the purchase of electricity for own technological consumption compared to the costs included in the regulated tariffs.

The amendments to the concession agreements have been agreed with the Ministry of Finance before 31 December 2022, however the addendums were issued on 20 January 2023. As all facts and circumstances were available as of 31 December 2022, the Group accounted for these amendments as a subsequent adjusting event for the year ended 31 December 2022 and recognised a intangible assets, which is further detailed in Note 23.

Chief Executive Officer	**Chief Financial Officer**
Alexandru – Aurelian Chirita	Stefan Alexandru Frangulea

07 March 2023

Independent Auditor's Report on the 2022 Consolidated Financial Statements (OMFP 2844/2016)

Deloitte Audit S.R.L.
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
SOCIETATEA ENERGETICA ELECTRICA S.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of SOCIETATEA ENERGETICA ELECTRICA S.A. and its subsidiaries (the Group), with registered office in Bucharest, District 1, Street Grigore Alexandrescu, No. 9, identified by unique tax registration code 13267221, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and notes to the consolidated financial statements.

2. The consolidated financial statements as at December 31, 2022 are identified as follows:

• Net assets / Equity	RON	5,367,246 thousand
• Net profit for the financial year	RON	558,845 thousand

3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Ministry of Finance Order 2844/2016, with subsequent amendments.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named "the Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

5. We draw attention to Note 7 of the consolidated financial statements, which describes that starting from 2022 the Group prepares two sets of consolidated financial statements, one under statutory regulations, namely Ministry of Finance Order 2844/2016 with subsequent amendments and one under International Financial Reporting Standards as adopted by the European Union ("IFRS"). These consolidated financial statements are prepared under OMF 2844/2016 with subsequent amendments, which differs from IFRS as summarized in Note 7. Consequently, these consolidated financial statements do not comply with IFRS. Our audit report is not modified in respect of this matter.

Key Audit Matters

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matters	How our audit addressed the key audit matter
Capitalized Intangible Asset resulting from technological consumption losses incurred during 2022 As presented in Note 23 to the consolidated financial statements, the Group has capitalized as intangible asset during 2022 the difference between the effective costs related to the acquisition of electricity and the costs included ex-ante by the market regulator in the tariffs for 2022, related to technological consumption purposes. The income recorded following the recognition of the intangible asset, has been presented as Other income from production of intangible assets and amounts to RON 989,291 thousand. The intangible asset is depreciated on a period of 5 years on a straight line basis. The change in the local accounting legislation was introduced starting with September 2022 (MOF 3900/2022) and permits electricity distributors to recognize regulatory deferral amounts only for the losses incurred during 2022. Given that under normal trading circumstances such assets are not recognized and also the significance of the amounts recorded as intangible assets we consider this to be a key audit matter	In assessing whether the intangible asset has been properly recognized in the consolidated financial statements we performed the following procedures: • We have obtained the confirmation received by the Group from the market regulator, confirming the amount recorded as intangible asset as at December 31, 2022; • We assessed whether the provisions of MOF 2844/2016 with subsequent amendments have been properly applied in the consolidated financial statements; • We have reviewed the management assessment of the recoverability of the intangible asset, which is based upon the regulatory framework for setting future tariffs; • We assessed the adequacy of the disclosure in the consolidated financial statements.
Going Concern As presented in Note 6 the consolidated financial statements have been prepared on the going concern basis. The key judgement leading to this conclusion are set out in that note. In particular the Group operates in the electricity distribution and supply industry which is currently affected by the capping laws on sales to end customers. The Romanian authorities regulatory position is under review and there may be further laws enacted which could adversely impact the Group's operating cash flows. In the forthcoming twelve months the Group will need to obtain additional financing and given the position of the Group and its significance to the Romanian economy management expects that all necessary financing will be made available. The ability of the Group to continue as a going concern is dependent on the successful extension of the existing debt facilities, drawdown of new financing and on stabilizing of the regulatory regime on energy prices as described in note 6 which provides an appropriate margin to support servicing of the Group's short and long term financings. In view of the significant judgements, the application and disclosures of the basis of the going concern assumption are considered a Key Audit Matter.	We have assessed managements valuation of the going concern assumption by performing the following procedures: • We have obtained the cash flow forecasts and critically challenged the management and the Board of Directors and Audit Committee on the assumptions used; • We considered whether at the date of this report additional information exist from the Romanian authorities with respect to the capping mechanism; • We have assessed the Group's position on the existing debt facilities, covenant compliance and newly negotiated debt facilities, during 2023 until the date of this report; • We considered the Group's requirements to secure additional financing in light of its position in the Romanian market; • We assessed the adequacy of the disclosure of the basis of going concern assumption, including the key judgements adopted;

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Key audit matters	How our audit addressed the key audit matter
Valuation of Retail accrued revenue, related to electricity supplied to households The Group recognizes at the end of each reporting period accrued revenue from the energy supply activity, related to the household population. If the actual meter readings are not available at the end of the reporting period, energy supplied to households is estimated based on internal information related to historical patterns of consumption. The degree of estimation uncertainty reduces from one period to another, however judgement is inherent in the valuation of the accrued revenue related to the household population. Because of the significance of the estimations around the accrued revenue related to the households and the inability of relying on the effectiveness of the controls, we consider the valuation of retail accrued revenue, related to households a key audit matter.	The group has a number of IT systems across the businesses and we were not able to rely on the effectiveness of IT controls within the revenue cycle. The audit procedures adopted were substantive in nature and included the following: • Obtaining an understanding of the accounting policies used in the preparation of the consolidated financial statements, with respect to revenue recognition; • Testing the reconciliation made by the Group between the quantity of electricity purchased for supply purposes and the quantity of electricity delivered from the supply activity; • Testing the acquired electricity for supply purposes through a combination of direct confirmations received from the electricity producers and other supporting documents; • Testing the revenues related to electricity supplied to customers on the free market through a combination of direct confirmations and other supporting documents; • Testing the revenues related to electricity supplied to all customers on the universal service by means of independent re-computation of the revenues, using the tariffs published for 2022; and • Performing analytical procedures on all electricity sales.

Other information – Administrator's Report

7. The administrators are responsible for preparation and presentation of the other information. The other information comprises the Administrator's report and the Remuneration Report, but does not include the consolidated financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

   In connection with our audit of the consolidated financial statements for the year ended December 31, 2022, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   With respect to the Administrator's report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments.

   With respect to the Remuneration report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, articles. no. 106 – 107.

   On the sole basis of the procedures performed within the audit of the consolidated financial statements, in our opinion:

   a) the information included in the administrators' report and the Remuneration report for the financial year for which the financial statements have been prepared, is consistent, in all material respects, with these financial statements;

   b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments,;

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c) the Remuneration report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, articles. no. 106 – 107.

Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit of the consolidated financial statements prepared as at December 31, 2022, we are required to report if we have identified a material misstatement of this Administrator's report and remuneration report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

8. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Order 2844/2016, with subsequent amendments and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

10. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

11. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

12. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

    - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

16. We have been appointed by the General Assembly of Shareholders April 28, 2021 to audit the consolidated financial statements of Societatea Energetica Electrica S.A. for the financial year ended December 31, 2022. The uninterrupted total duration of our commitment is 5 years, covering the financial years ended December 31, 2018 to December 31, 2022.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.

- No non-audit services referred to in Article 5 (1) of EU Regulation No. 537/2014 were provided.

The engagement statutory auditor on the audit resulting in this independent auditor's report is Răzvan Ungureanu.

Răzvan Ungureanu, Statutory Auditor

For signature, please refer to the original signed Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under AF 4866

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under FA 25

The Mark Building, 84-98 and 100-102 Calea Griviței, 9th Floor, District 1
Bucharest, Romania
March 7, 2023

2022 Consolidated Financial Statements (IFRS-EU)

2022 Consolidated Financial Statements (IFRS-EU)

SOCIETATEA ENERGETICA ELECTRICA S.A.

Consolidated Financial Statements

as at and for the year ended

31 December 2022

prepared in accordance with

International Financial Reporting Standards as adopted by the European Union

Content

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS-EU)
AS AT 31 DECEMBER 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	31 December 2022	31 December 2021	
ASSETS				
Non-current assets				
Intangible assets related to concession arrangements	23	5,675,866	5,514,557	
Other intangible assets	23	12,854	8,983	
Goodwill	32	12,040	-	
Property, plant and equipment	22	499,390	505,419	
Investments in associates	24	18,824	25,810	
Other investments		7,000	-	
Financial assets related to concession arrangements – non current portion	25	761,246	-	
Deferred tax assets	17	30,180	83,531	
Other non-current assets		2,393	1,661	
Right of use assets		52,152	20,945	
Total non-current assets		**7,071,945**	**6,160,906**	
Current assets				
Trade receivables	18	2,466,002	1,344,619	
Subsidies receivable	11	1,280,788	-	
Other receivables	19	127,253	48,600	
Cash and cash equivalents	20	334,887	221,830	
Inventories	21	113,972	72,958	
Prepayments		13,874	5,034	
Financial assets related to concession arrangements – current portion	25	190,311	-	
Current income tax receivable		24,000	23,777	
Assets held for sale		280	5,412	
Total current assets		**4,551,367**	**1,722,230**	
Total assets		**11,623,312**	**7,883,136**	
EQUITY AND LIABILITIES				
Equity				
Share capital	26	3,464,436	3,464,436	
Share premium	26	103,049	103,049	
Treasury shares reserve	26	(75,372)	(75,372)	
Pre-paid capital contributions in kind from shareholders	26	7	7	
Revaluation reserve	26	92,117	102,829	
Legal reserves	26	429,583	408,405	
Retained earnings		1,353,942	950,228	
Total equity attributable to the owners of the Company		**5,367,762**	**4,953,582**	
Non-controlling interests	32	**(516)**	-	
Total equity		**5,367,246**	**4,953,582**	

(continued on next page)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS-EU)
AS AT 31 DECEMBER 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	31 December 2022	31 December 2021
	Note	31 December 2022	31 December 2021
Liabilities			
Non-current liabilities			
Lease liability – long term		34,462	12,102
Deferred tax liabilities	17	212,555	161,926
Employee benefits	15	117,269	149,177
Other payables	28	72,432	32,732
Long-term bank borrowings	30	647,193	118,756
Total non-current liabilities		**1,083,911**	**474,693**
Current liabilities			
Current portion of long-term bank borrowings	30	113,520	509,733
Lease liability – short term		19,211	9,442
Bank overdrafts	30	2,571,037	627,402
Trade payables	27	1,407,097	891,335
Other payables	28	867,536	271,263
Deferred revenue		24,750	9,662
Employee benefits	14,15	114,174	101,102
Provisions	29	53,701	34,922
Current tax liabilities		1,129	-
Total current liabilities		**5,172,155**	**2,454,861**
Total liabilities		**6,256,066**	**2,929,554**
Total equity and liabilities		**11,623,312**	**7,883,136**

The accompanying notes are an integral part of these consolidated financial statements.

Chief Executive Officer — Alexandru – Aurelian Chirita

Chief Financial Officer — Stefan Alexandru Frangulea

24 March 2023

(All amounts are in THOUSAND RON, except per share data)

	Note	2022	2021
Revenue	9	10,009,896	7,178,864
Other income	11	3,792,520	195,771
Electricity and natural gas purchased	10	(10,506,809)	(5,694,724)
Construction costs related to concession agreements	23	(593,490)	(485,813)
Employee benefits	16	(823,422)	(802,676)
Repairs, maintenance and materials		(88,229)	(102,356)
Depreciation and amortization	22,23	(496,253)	(480,830)
Impairment for trade and other receivables, net	18,19	(112,311)	(70,616)
Other operating expenses	11	(352,971)	(343,147)
Operating profit/(loss)		**828,931**	**(605,527)**
Finance income	12	9,718	2,647
Finance costs	12	(174,713)	(29,528)
Net finance costs		**(164,995)**	**(26,881)**
Share of results of associates	26	(13)	(3)
Profit/(Loss) before tax		**663,923**	**(632,411)**
Income tax benefit/(expense)	17	(105,078)	79,529
Profit/(Loss) for the year		**558,845**	**(552,882)**
Profit/(Loss) for the year attributable to:			
– owners of the Company		**558,954**	(552,882)
– non-controlling interests		(109)	-
Profit/(Loss) for the year		**558,845**	**(552,882)**
Earnings/(Loss) per share			
Basic and diluted earnings/(loss) per share (RON)	13	**1.65**	**(1.63)**

The accompanying notes are an integral part of these consolidated financial statements.

Chief Executive Officer
Alexandru – Aurelian Chirita

Chief Financial Officer
Stefan Alexandru Frangulea

24 March 2023

(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	2022	2021
Profit/(Loss) for the year		**558,845**	**(552,882)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements of the defined benefit liability	15	9,503	(5,891)
Tax related to re-measurements of the defined benefit liability	17	(1,479)	(45)
Other comprehensive income/(loss), net of tax		**8,024**	**(5,936)**
Total comprehensive income/(loss)		**566,869**	**(558,818)**
Total comprehensive income/(loss) attributable to:			
– owners of the Company		566,978	(558,818)
– non-controlling interests		(109)	-
Total comprehensive income/(loss)		**566,869**	**(558,818)**

The accompanying notes are an integral part of these consolidated financial statements.

Chief Executive Officer
Alexandru – Aurelian Chirita

Chief Financial Officer
Stefan Alexandru Frangulea

24 March 2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS-EU) FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	Total equity	Non-controlling interests	Total equity
Balance at 1 January 2022		**3,464,436**	**103,049**	**(75,372)**	**7**	**102,829**	**408,405**	**950,228**	**4,953,582**	-	**4,953,582**
Comprehensive income											
Profit for the year		-	-	-	-	-	-	558,954	**558,954**	(109)	**558,845**
Other comprehensive profit		-	-	-	-	-	-	8,024	**8,024**	-	**8,024**
Total comprehensive profit		**-**	**-**	**-**	**-**	**-**	**-**	**566,978**	**566,978**	**(109)**	**566,869**
Transactions with owners of the Company											
Contributions and distributions											
Dividends to the owners of the Company	27	-	-	-	-	-	-	(152,798)	**(152,798)**	-	**(152,798)**
Total transactions with owners of the Company		**-**	**-**	**-**	**-**	**-**	**-**	**(152,798)**	**(152,798)**	-	**(152,798)**
Other changes in equity											
Set up of legal reserves	27	-	-	-	-	-	21,178	(21,178)	**-**	-	**-**
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	27	-	-	-	-	(10,712)	-	10,712	-	-	-
Acquisition of subsidiary with non-controlling interests	33	-	-	-	-	-	-	-	-	(407)	(407)
Balance at 31 December 2022		**3,464,436**	**103,049**	**(75,372)**	**7**	**92,117**	**429,583**	**1,353,942**	**5,367,762**	**(516)**	**5,367,246**

(continued on next page)

(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	Total equity	Non- controlling interests	Total equity
Balance at 1 January 2021		**3,464,436**	**103,049**	**(75,372)**	**7**	**116,372**	**392,276**	**1,759,506**	**5,760,274**		
Comprehensive income											
Loss for the year		-	-	-	-	-	-	(552,882)	**(552,882)**		
Other comprehensive loss		-	-	-	-	-	-	(5,936)	**(5,936)**		
Total comprehensive loss		**-**	**-**	**-**	**-**	**-**	**-**	**(558,818)**	**(558,818)**		
Transactions with owners of the Company											
Contributions and distributions											
Dividends to the owners of the Company	27	-	-	-	-	-	-	(247,874)	**(247,874)**		
Total transactions with owners of the Company		**-**	**-**	**-**	**-**	**-**	**-**	**(247,874)**	**(247,874)**		
Other changes in equity											
Set up of legal reserves	27	-	-	-	-	-	16,129	(16,129)	**-**		
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	27	-	-	-	-	(13,543)	-	13,543	-		
Balance at 31 December 2021		**3,464,436**	**103,049**	**(75,372)**	**7**	**102,829**	**408,405**	**950,228**	**4,953,582**		

The accompanying notes are an integral part of these consolidated financial statements.

Chief Executive Officer
Alexandru – Aurelian Chirita

Chief Financial Officer
Stefan Alexandru Frangulea

24 March 2023

(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	2022	2021
Cash flows from operating activities			
Profit/(Loss) for the year		**558,845**	**(552,882)**
Adjustments for:			
Depreciation	22	19,915	21,118
Amortisation	23	476,469	459,712
Other income from initial recognition of financial assets rising from concession agreements amendments	25	(951,557)	-
Reversal of impairment of property, plant and equipment and intangible assets, net	22,23	(5)	(3,942)
(Gain)/Loss on disposal of property, plant and equipment and intangible assets	22,23	(393)	2,651
Impairment of trade and other receivables, net	18,19	112,311	70,616
Impairment of assets held for sale		-	646
Change in provisions, net	29	18,779	15,684
Net finance income	12	164,995	26,881
Changes due to employee benefits	14	(4,358)	5,054
Share of loss of associates	24	13	3
Income tax expense/(benefit)	17	105,078	(79,529)
		500,092	**(33,988)**
Changes in:			
Trade receivables		(1,286,734)	(391,401)
Subsidies receivable		(1,280,788)	-
Other receivables		(138,335)	(22,904)
Prepayments		(8,840)	(2,217)
Inventories		(41,014)	(2,892)
Trade payables		494,611	274,825
Other payables		722,407	32,504
Provisions and employee benefits		(6,454)	3,166
Deferred revenue		15,088	4,033
Cash used in operating activities		**(1,029,967)**	**(138,874)**
Interest paid		(149,397)	(24,110)
Income tax paid		(1,232)	(31,366)
Net cash flow used in operating activities		**(1,180,596)**	**(194,350)**

(Continued on next page)

(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	2022	2021
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		(8,295)	(10,490)
Payments for network construction related to concession agreements	23	(537,782)	(483,808)
Payments for purchase of other intangible assets		(7,829)	(6,306)
Proceeds from sale of property, plant and equipment		614	1,469
Interest received		2,847	1,765
Acquisition of investments in associates	24	(3)	(25,813)
Payments for acquisition of subsidiaries, net of cash acquired	32	(4,452)	-
Restricted cash	20	-	320,000
Net cash flow used in investing activities		**(554,900)**	**(203,183)**
Cash flows from financing activities			
Proceeds from long-term bank borrowings	30	217,561	234,690
Proceeds from overdrafts		1,900,371	-
Repayment of long-term bank loans	30	(92,925)	(385,851)
Payment of lease liabilities		(24,163)	(15,226)
Dividends paid	26	(152,291)	(247,615)
Net cash generated from (used in)/ financing activities		**1,848,553**	**(414,002)**
Net increase/(decrease) in cash and cash equivalents		**113,057**	**(811,535)**
Cash and cash equivalents at 1 January	20	(405,572)	405,963
Reclassification of overdrafts previously presented as cash and cash equivalents	20	627,402	-
Cash and cash equivalents at 31 December	20	**334,887**	**(405,572)**

The accompanying notes are an integral part of these consolidated financial statements.

The non-cash transactions are disclosed in Note 20.

Chief Executive Officer
Alexandru – Aurelian Chirita

Chief Financial Officer
Stefan Alexandru Frangulea

24 March 2023

(All amounts are in THOUSAND RON, if not otherwise stated)

1 Reporting entity and general information

(a) General information about the Group

These financial statements are the consolidated financial statements of Societatea Energetica Electrica S.A. ("the Company" or "Electrica SA") and its subsidiaries (together "the Group") as at and for the year ended 31 December 2022.

The registered office of the Company is no. 9, Grigore Alexandrescu Street, District 1, Bucharest, Romania. The Company has sole registration code 13267221 and Trade Register registration number J40/7425/2000.

As at 31 December 2022 and 31 December 2021, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy with a share of ownership of 48.79% from the share capital.

The Company's shares are listed on the Bucharest Stock Exchange and the global depository receipts ("GDRs") are listed on the London Stock Exchange. The shares traded on the London Stock Exchange are the global depositary receipts, one global depositary receipt representing four shares. The Bank of New York Mellon is the depositary bank for these securities.

As at 31 December 2022 and 31 December 2021, the Company's subsidiaries are the following:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2022	% shareholding as at 31 December 2021
Distributie Energie Electrica Romania S.A. ("DEER")	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	99.99999929%	99.99999929%
Electrica Furnizare S.A.	Electricity and natural gas supply	28909028	Bucuresti	99.9998444099934%	99.9998415011992%
Electrica Serv S.A.	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	99.99998095%	99.99998095%
Electrica Producție Energie S.A.	Electricity generation	44854129	Bucuresti	99.9920%	99.9920%
Electrica Energie Verde 1 SRL* ("EEV1" – formerly Long Bridge Milenium SRL)	Electricity generation	19157481	Bucuresti	100%*	100%*
Sunwind Energy S.R.L.	Electricity generation	42910478	Constanta	60%	-
New Trend Energy S.R.L.	Electricity generation	42921590	Constanta	60%	-
Green Energy Consultancy & Investments S.R.L.	Electricity generation	29172101	Prahova	75%	-

*indirect shareholding - Electrica Energie Verde 1 SRL is 100% owned by the subsidiary Electrica Productie Energie S.A.

As at 31 December 2022 and 31 December 2021, the Company's associates are the following:

Associate	Activity	Sole registration code	Head Office	% shareholding as at 31 December 2022	% shareholding as at 31 December 2021
Crucea Power Park SRL	Electricity generation	25242042	Constanta	30%	30%
Sunwind Energy SRL	Electricity generation	42910478	Constanta	-	30%
New Trend Energy SRL	Electricity generation	42921590	Constanta	-	30%
Foton Power Energy S.R.L.	Electricity generation	43652555	Constanta	30%	30%

Changes in Group structure during 2022

Acquisition of shares in subsidies

On 21 March 2022, the Group acquired an additional 30% of the shares and voting interests in Sunwind Energy S.R.L.. As a result, the Group's equity interest increased from 30% to 60%, granting control of Sunwind Energy S.R.L. (for further details please see Note 32).

On 27 May 2022, the Group acquired an additional 30% of the shares and voting interests in New Trend Energy S.R.L.. As a result, the Group's equity interest increased from 30% to 60%, granting control of New Trend Energy S.R.L. (for further details please see Note 32).

On 6 September 2022, Electrica acquired 75% of Green Energy Consultancy & Investments S.R.L. shares granting control of the entity (for further details please see Note 32).

Group's main activities

The main activities of the Group include operation and construction of electricity distribution networks and electricity and natural gas supply to final consumer as well as energy production from renewable sources. The Group is the electricity distribution operator and the main electricity supplier in Muntenia Nord area (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties), Transilvania Nord area (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita Nasaud counties) and Transilvania Sud area (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties), operating with transformation station and 0.4 kV to 110 kV power lines.

The Company's distribution subsidiary, Distributie Energie Electrica Romania S.A. which resulted from the merger through absorption of the three distribution subsidiaries Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. and Societatea de Distributie a Energiei Electrice Transilvania Sud S.A. now operates electric lines in 18 counties, from three geographical areas of the country, representing 40.7% of the Romanian territory, and serves over 3.8 million users. It invoices the electricity distribution service to electricity suppliers (mainly to Electrica Furnizare S.A. subsidiary) which further invoices the electricity consumption to final consumers.

Electrica Furnizare S.A. is active on both the competitive market and as the supplier of last resort for aprox. 3.5 million clients (defined as supplier designated by the regulatory authority to deliver the universal service of electricity supply under specific regulated conditions) in Muntenia Nord, Transilvania Nord and Transilvania Sud areas. In 2022 Electrica Furnizare S.A. was supplier of last resort (SoLR) nominated for electricity in February, March, July and December. For the natural gas supply activity, EFSA was SoLR nominated in September 2022. At the same time, Electrica Furnizare S.A. ensures the supply of electricity for household customers supplied under universal service regime.

Through the acquisition of the new subsidiary Electrica Energie Verde 1 S.R.L. (formerly Long Bridge Milenium S.R.L.) as of 31 August 2020, establishment of a new legal entity Electrica Productie Energie S.A. and also the five shares sales and purchase agreements in five project companies having as main activity the production of energy from renewable sources the Group entered on the electricity generation segment, in particular from renewable sources.

Electrica Energie Verde 1 S.R.L. is a producer of electricity from renewable sources, operating a photovoltaic park in Stanesti, Giurgiu county, with an installed capacity of MW 7.5 (operating capacity limited MW to 6.8). In 2022 the operation of the plant was continuous, with no significant events leading to production shutdowns, producing in total MWh 10,466 (2021: MWh 9,767). According to Law no. 220/2008 and based on the accreditation issued by ANRE, Stanesti park receives a number of 6 green certificates ("GC") for each MWh produced and delivered, of which until 2020, 4 GC were issued for trading and 2 GC were postponed (the amendment is introduced by Law no. 184/2018). The postponed green certificates will be reinserted starting from 1 January 2021, in equal monthly tranches until 31 December 2030.

(b) Regulations in the energy sector

Regulatory environment

The activity in the energy sector is regulated by the Romanian Energy Regulatory Authority. Some of the main responsibilities of ANRE are to approve prices and tariffs and to issue substantiation methodologies used to set regulated prices and tariffs.

Electricity distribution

In 2019, a new regulatory period began, governed by the provisions of ANRE Order no. 169/2018 for the approval of the Methodology for establishing the tariffs for the electricity distribution service (IV regulatory period: 2019-2023).

The following items are considered by ANRE when setting the target revenue for one year of the regulatory period: controllable and non-controllable operating and maintenance costs; costs of electricity purchased for own technological consumption (related to distribution network); regulated depreciation charge; the return on the regulated assets base ("RAB"); revenues from reactive energy and revenues from other activities, as well as corrections from previous periods.

Starting with 13 May 2020, the regulated rate of return („RRR") of BAR is 6.39% to which is added:

- 1% incentive for new investments in RED, approved by ANRE;
- 2% incentive for investments in the electricity distribution network financed from own funds in projects in which European non-reimbursable funds are also attracted, if the investments are performed and put into function by operators after 1 February 2021, approved by ANRE;
- 1% incentive for investments in projects of common interest (PIC), approved by ANRE.

Regarding the costs of electricity purchased for own technological consumption ("NL"):

- ANRE has the right to correct the projection of distribution tariffs for a regulatory period or for one year, if there have been significant variations in prices on the electricity market, which lead to an important change in distribution service costs;
- at the justified request of the Distribution Operator, the regulated revenue of year t + 1 may include a cost adjustment of regulated own technological consumption ("NL") forecast for year t + 1, by changing the reference price, depending on the evolution of prices on the electricity market and the result of the analysis of the evolution of tariffs for the current regulatory period.

In 2022, according to the Government's emergency ordinance (GEO) no. 119/2022, the additional costs for purchased electricity (determined as the difference between the realized costs and the costs included in the approved distribution tariffs), made between 1 January 2022 and 31 August 2023, in order to cover the own technological consumption, compared to the costs included in the tariffs regulated (and not only borrowings), are capitalized quarterly and remunerated with 50% of the regulated rate of return (RRR) approved by ANRE, applicable during the amortization period of the respective costs and are recognized as a distinctive component in the regulated tariffs, called the component related to additional costs with NL. Also, ANRE elaborated the Methodological norms regarding the recognition in the tariffs of the additional costs with the acquisition of electricity for covering the own technological consumption compared to the costs included in the regulated tariffs, the purpose of these norms is to establish the substantiation of additional costs with the purchase of electricity to cover the NL, as well as the conditions for their recognition in the regulated income, based on which the distribution tariffs are established.

According to the Government's Emergency Ordinance ("GEO") no. 153/2022 during the period 1 January 2023 – 31 March 2025 is established the centralized electricity purchasing mechanism, OPCOM being designated the sole purchaser. The distribution operators ("OD") will buy from OPCOM through an annual/monthly mechanism at least 75% of the quantity forecasted and validated by National Authority for Energy Regulation ("ANRE") at the price of 450 RON/MWh, and the producers will sell to OPCOM through annual/monthly mechanism 80% of the quantity forecasted and validated by ANRE and Transelectrica at the price of 450 RON/MWh.

Tariff adjustments

Annually, ANRE makes revenue corrections due to: change in the quantities of electricity distributed compared to the forecast; change in quantities and acquisition price for the regulated own technological consumption compared to the forecast; the annual change in controllable operating and maintenance costs, realized and accepted against the forecast; annual change in uncontrollable operating and maintenance costs compared to the forecast; changes in revenues from reactive energy compared to the forecast; failure to meet/exceeding the approved investments programme; revenues generated from other operations made by the distribution operator and the quantity of electricity recovered from recalculations.

The regulator establishes through the regulated income and tariffs for the following year taking into account the justified corrections presented above, which are added algebraically to the income for the following year. The group does not recognize assets and liabilities resulting from regulation in relation to these deficits or surpluses, as the differences are recovered or returned through the annual tariff changes and starting with 2022 the capitalised costs with own technological consumption. The difference between the purchase price of electricity for own technological consumption versus the ex-ante purchase price recognized by ANRE in the related regulated tariffs 2022 related to the purchase of electricity and natural gas, made between 1 January 2022 and 31 August 2023, in order to cover the own technological consumption (NL) for economic operators for energy transport and distribution services are capitalised. These are recognized as a distinctive component in the regulated tariffs, named component related to additional own technological consumption costs.

Electricity supply

The regulatory framework has undergone significant changes over the past decade, including the liberalization of electricity and natural gas markets, the separation of supply and distribution activities, the implementation of the support scheme for renewable energy, the support of electricity prosumers and the capping of prices to final customers. In 2022 the electricity market was completely liberalized for all categories of customers and the price was established by suppliers through free market mechanisms, both for universal service offers and for the offers related to the competitive market.

Regulated market

Starting with 1 November 2021, in the context of the increase in prices for the electricity and natural gas markets at international and national level, the energy crisis, as well as the effects caused by these increases among the population, in Romania, a series of support measures for electricity and natural gas customers have been applied, by establishing compensation and capping schemes between 1 November 2021 and 31 March 2025.

Competitive market

Transactions on the competitive wholesale market are transparent, public, centralised and non-discriminatory. Participants to the wholesale market can trade electricity based on the bilateral contracts concluded on the dedicated markets.

The following support mechanisms have been put in place:

- compensation of household consumers for part of the costs incurred by the electricity invoices (1 November 2021 until 31 March 2022);
- capping the selling price for household and non-household consumers (1 November 2021 – 31 March 2025);
- exemption (1 November 2021 until 31 January 2022) of several types of non-household consumers from payment of regulated tariffs and other taxes/contributions.

The amounts compensated will be received from the National Agency for Payments and Social Inspection for household consumers and a from the Ministry of Energy for non-household consumers. (for further details please refer to Note 18)

Over 2022, several changes have been brought to the legislation, having a significant impact on the supply of electricity, as follows:

- The withdrawal of the capped price for electricity for household customers with consumption over 255 KWh/month and the limitation of the capped price for non-domestic customers (limitation of both the quantities and categories of non-domestic customers);

- The limitation of the average purchase price considered for determining the amounts to be recovered from the state budget to 1,300 RON/MWh; except of the purchase intended for supply as a last resort, where this limitation does not apply;
- The obligation to store natural gas of a minimum 30% of the natural gas required for the consumption of final customers from their own portfolio;
- The obligation of natural gas producers to sell at the price of 150 RON/MWh the necessary quantities to the suppliers of domestic customers/heat energy producers.
- On 1 January 2023 - 31 March 2025, the centralized electricity purchase mechanism (MACEE) is established.
- The mechanism provides - OPCOM, as sole acquirer, buys electricity from producers (electricity producers with an installed power equal to or greater than 10 MW) and sells the purchased electricity to electricity suppliers that have contracts with final customers, the transmission system operator electricity and distribution system operators electricity to cover their own technological consumption; the price paid by OPCOM to electricity producers, for the quantities of electricity sold by them is 450 RON/MWh and the sale price of OPCOM to the economic operators is also 450 RON/MWh (OPCOM has the right to charge market participants tariffs/commissions at the level of costs recorded by organizing the centralized electricity purchase mechanism); In order to carry out the transactions, OPCOM shall organize an annual procurement procedure as well as an additional procurement procedure each month for the quantities of electricity to be delivered in the following month; annual and monthly electricity quantities are firm obligations of electricity producers and economic operators and are evenly distributed across all settlement intervals each month (contracts are concluded by signing, within maximum 3 working days).

Green certificates

Electricity suppliers have a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final consumers. The cost of green certificates is invoiced to final consumers separately from the tariffs for electricity.

Electricity generation

Green certificates

In accordance to Law no. 220/2008, electricity producers are entitled by to receive a certain number of green certificates ("GC") for each MWh of electricity produced from renewable sources depending on the renewable energy type used (i.e. hydro, wind, solar, geothermal, biomass, bioliquids, biogas) and injected into the network, for a specific period of time, depending also on the degree of novelty of the group/power plant.

Starting from February 2013, the Stanesti photovoltaic park has the right to receive (the month from which it started injecting electricity into the network), for a period of 15 (fifteen) years, 6 (six) green certificates for each MWh of electricity produced and delivered to the grid, out of which, for the period 1 July 2013 – 31 December 2020, according to Law 23/2014 and Law 184/2018, 2 (two) green certificates were postponed from trading. Those two GC postponed from trading are to be recovered in equal monthly tranches starting from 1 January 2021 until 31 December 2030.

The green certificates issued by Transelectrica for the production made by the Stanesti photovoltaic park, during the validity period of the accreditation decision issued by ANRE, can be traded, according to GEO 24/2017, until 31 March 2032, respectively including the period after the expiration of the validity period of the accreditation decision (31 January 2028 in the case of the Stanesti photovoltaic park).

Increase in Energy price impact

Following the total liberalization of the electricity market from 1 January 2021 for all types of consumers, the international context of the energy markets characterized by an imbalance between supply and demand at European level, corroborated with the energy policies developed both at EU and national level, has led to an increase in electricity prices. Moreover, the strong increase in energy prices is both the result of external factors, such as the exponential increase in the price of emission allowances, and of internal factors, such as the high share of energy traded on the spot market (DAM). The entire energy sector was affected by the increased energy price.

The aforementioned difficult conditions led to an increase in operating expenses, mainly for the acquisition of energy for own technological consumption and for supplying activity. The unstable economic environment, led to a decrease in financial performance for 2021, but during 2022 the financial performance has significantly improved, due to electricity acquisition security measures for the supply segment and for distribution segment has benefit by capitalisation of additional costs with own technological consumption, also with no significant difficulties in receivables collection and consequently payment of debts being noted.

Due to the recent changes in the global energy market, including EU, each EU member state had to amend legal framework for the energy sector in order to protect the civil society interests on the one hand and, on the other hand to ensure a proper equilibrium and functionality on the local energy market by supporting also the utilities energy suppliers.

As a result, for ***the distribution segment***, Romanian Regulatory Authority for Energy – ANRE (https://www.anre.ro/) has to adopt similar measures through its Order 129/12.10.2022 approving the Methodological Norms regarding the recognition in the tariffs of the additional costs with the acquisition of electricity for covering the own technological consumption ("CPT") compared to the costs included in the regulated tariffs, carried out between 1 January 2022 – 31 August 2023.

ANRE will determine the recognized annual amounts of the capitalized costs based on the quantities and prices recognized for CPT, and by 15 March of the year immediately following the year of capitalization of the additional costs, ANRE will transmit to the distribution operators the recognized annual amounts of the capitalized costs for the previous year. The computation of the capitalized amounts is carried out in compliance with the legislation specific to the entities that are the subject of GEO 119/2022, with subsequent additions and changes.

The changes brought by GEO 119/2022 are changes the recuperation of the CPT by splitting it in current operating expenses ("OPEX") and capitalised costs ("CAPEX"), there is a portion of unit costs recuperated at cost at 450 RON/MWh (ex-ante tariffs) and for the difference above this level of 450 RON/MWh up to the effective average price, there is a linear depreciation over 5 years stipulated with return at 50% of Regulated Rate of Return (RRR).

For ***the supply segment***, in 2022 the effect of retail prices for electricity was covered as grants received from the state authorities, as a result of the application of the mechanism of capping the prices for electricity and natural gas, following the enacting of Ordinances 118/2021 and 119/2022, the electricity prices for certain categories of households and industrial consumers has been capped to a certain level. The difference between the capped level and the average acquisition prices in the period to which a margin has been allowed, is recoverable from the state authorities.

The Group actively reviews and implements policies and strategies to recover from the loss generated by the increase in energy price, strategies which mainly aim in revising the method of generating the selling price for final consumers, concluding agreements with specific clauses ensuring new financing facilities, closely monitoring suppliers and consumers payment terms, monitoring daily cash flow and forecasted cash flow. The Group continues to closely monitor the macroeconomic outlook and as additional information will be available, their effects on the activity of Group companies and over the financial results will be analyzed.

Geopolitical tensions

In February 2022 global geopolitical tensions significantly escalated following military interventions in Ukraine by the Russian Federation. As a result of these escalations, economic uncertainties in energy and capital markets have increased, with global energy prices expected to be highly volatile for the foreseeable future. As at the date of these consolidated financial statements, management is unable to reliably estimate the effects on the Groups financial outlook and cannot exclude adverse consequence on the business, operations, and financial position. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances and that judgements used in these financial statements remain appropriate.

2 Basis of accounting

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("IFRS-EU"). The consolidated financial statements were authorized for issue by the Board of Directors on 24 March 2023 and will be submitted for shareholders' approval in the meeting scheduled on 28 April 2023.

The Company also issues a primary set of the consolidated financial statements prepared in accordance with OMFP no. 2844/2016 (statutory financial statements). Until 31 December 2021, the consolidated financial statements prepared in accordance with OMFP no. 2844/2016 were equivalent to IFRS-EU. Starting with 31 December 2022, according to Order of Ministry of Public Finances (OMFP) no. 3900/2022 that has included a new clause related to the regulatory accounts to capitalise the additional expenses for actual energy costs as compared with the ex-ante ANRE prices recognised in distribution tariffs for own technological consumption network, which are recognised as intangible assets (please see the primary set of financial statements in accordance with OMFP no. 2844/2016). Also, according to ANRE regulations issued in 2022, the capitalised costs of intangible non-current assets are recorded in the accounting records on the annual financial statements according to the instructions developed by the Ministry of Finance OMFP no. 2844/2016 with subsequent amendments (Romanian GAAP).

Details of the Group's accounting policies are included in Note 6. The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

3 Functional and presentation currency

These consolidated financial statements are presented in Romanian Lei (RON), which is the functional currency of all Group companies. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4 Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included below.

Revenue recognition

The Group assesses its revenue arrangements based on specific criteria to determine if it is acting as a principal or an agent. In applying IFRS 15, the Group has identified that it acts in the capacity of an agent in case of transactions as Balancing Responsible Party ("BRP") and thus recognises revenue as the net amount of the commission earned by the Group. The Group concluded that it is acting as a principal in all other revenue arrangements.

Service Concession Arrangements

The distribution subsidiaries (as operators) that merged into one single distribution operator as of 31 December 2020 concluded concession contracts with the Ministry of Economy (as grantor) in 2005, updated by subsequent addendums. These contracts concern the operation of electricity distribution service in the established territory (Transilvania Nord, Transilvania Sud, Muntenia Nord), on the risk and responsibility of the operators and taking into account the regulations applicable to the operation, modernization, rehabilitation and development of energy distribution networks specified in the Electricity Law, the terms and conditions of the licenses for electricity distribution and the regulations issued by ANRE. The distribution operator resulting from the merger of the three distribution operators within the Group, Distributie Energie Electrica Romania concluded addendums to the concession agreements signed with the Ministry of Economy for the operation of electricity distribution service in all three areas.

IFRIC 12 "*Service Concession Arrangements*" deals with public-to-private service concession arrangements. IFRIC 12 applies to public-to-private service concession arrangements if:

(a) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

(b) the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement.

The control or regulation referred to in condition (a) could be by contract or otherwise (such as through a regulator). The activities of the electricity distribution operators, including distribution tariffs, are regulated by ANRE.

The concession contracts are concluded for a period of 49 years and may be extended for a period equal to no more than half of that period. As a price for the concession, the operators pay an annual royalty fee recognized in the distribution tariff of 1/1000 of the revenues from electricity distribution. According to the concession contracts, the operators use the assets representing the distribution network owned by them located in the above-mentioned territory for electricity distribution. According to the concession contracts, the grantor will buy at the end of the term of concession contract the ownership right of the "relevant assets", that are mainly the electricity distribution networks, at a price equal to the value of the regulated assets base at the end of the concession.

Within the arrangements, the Group incurs significant expenditure in relation to the development and maintenance of the infrastructure. The construction works are either outsourced by the Group to sub-contractors or performed internally. Significant management judgment is involved in accounting for the concession arrangements under IFRIC 12, including those in respect of the recognition of revenue based on the separation of construction or upgrade services from operation services.

The concessionaires act as service suppliers (they build, modernize and maintain the distribution network) and the revenues related to the construction or improvement of infrastructure is recorded according to IFRS 15. This results in revenues and expenditures being recognized in the profit and loss account (related to the construction and modernization of infrastructure), as well as of a margin resulting from rendering the construction services establised by the Group. The 3% margin applied is determined based on the Group's experience in working with external contractors.

Financial asset recognition from amendment of concession agreements with Ministry of Energy

Based on the concession contracts (mentioned above) amendments, the additional cost of purchasing electricity for covering the own technological consumption of the distribution operators (actual costs with the purchase of electricity for own technological consumption ("CPT") coverage compared to the costs included in the regulated tariffs) are recognised as financial asset as part of the concession agreement. Such amounts are guaranteed by the concession agreement which is enforceable by law. The operator has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor; the grantor has no discretion to avoid payments in case of early termination of the concession agreements.

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that may result in a material adjustment in the subsequent twelve month period is included in the following notes:

- Nota 6 c) – assumptions regarding recognition of revenue from supply and distribution of electricity to consumers based on estimates for electricity delivered and for which no reading was performed yet;
- Notes 18 and 32 – assumptions and estimates about measurement of the allowance for trade receivables at the level of expected credit losses (ECL), respectively in determining the loss rates;
- Notes 29 and 34 – recognition and measurement of provisions and contingencies;
- Note 18 – assumptions and estimates of amounts to be received from the state following the application of the compensation and capping scheme.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities, which the Group can access;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 31 – Financial instruments;
- Note 22 – Property, plant and equipment.

5 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the land and buildings which are measured based on the revaluation model.

6 Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements. The new amendments to existing standards that are effective starting with 1 January 2022 do not have a significant impact over the Group's consolidated financial statements.

(a) Going concern

The consolidated financial statements have been prepared on the going concern basis. In making this judgement management considers current trading performance and access to finance resources. The Group has prepared a forecast that includes the following assumptions:

- A continuation of the support scheme (detailed in note 1 and 18) until 31 March 2025 according to the applicable legislation but with a more stable flow of repayments of the reimbursement requests for subsidies as compared with last year, as the mechanism has been operationally improved;
- The utilization of confirmed debt facilities up to a limit of RON 4,948,373 thousand, including RON thousand 2,891,660 thousand overdraft limits (out of which RON 2,571,037 thousand used until 31.12.2022 - please see Note 30) and RON 2,056,713 thousand long term loans limit (out of which RON 760,713 thousand long term loans used until 31.12.2022 - please see Note 30);
- The utilization of not yet confirmed credit facilities amounting to RON 283,000 thousand and the limits for factoring without recourse for the requests for reimbursement for the subsidies under the support scheme amounting to RON 350,000 thousand which will be drawn during the forecast period;
- Also, the Group obtained the approval of the GSM to perform one or more bond issuance within a ceiling of up to 900,000 thousand RON in the period 2022-2023, mainly for the development of green energy generation projects. Depending on market context, a first issuance of up to RON 650,000 thousand in the second part of 2023 is envisaged, and until its use in the operationalization of green energy production projects, the respective

amounts attracted will be able to be used as a liquidity buffer at the Group level.

At the date of issuance of these consolidated financial statements the regulatory position may be further amended and there may be further laws enacted which could adversely impact the Groups operating cash flows during the forecast period. Given the current market uncertainties, the Group is closely monitoring the market context and is continuously analysing the opportunities for optimisation of debt and increase of bank overdrafts and long-term loans. In light of the importance of the Group as the supplier and distributed of electricity on the Romanian market, having 40.7% (according to the latest published ANRE report dated from 2021 for the distribution segment) as market share on the electricity distribution and 17.72% (according to the latest ANRE report October 2022 for the supply segment) as market share on the electricity supply market and having as main shareholder of Electrica SA the Romanian State, the management believes sufficient financing will be made available to cover any financing requirements arising from market uncertainty and Group will be able to meet its obligations as they fall due.

Based upon the above projections and other information, given the measures already implemented and the strategies to reduce the risks which may occur due to the instability of the economic environment, the Board of Directors has, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidation perimeter from the date that control commences until the date on which control ceases.

(ii) Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iii) Non-controlling interests

The Group measures any non-controlling interests in the subsidiary at their proportionate share of the subsidiary's identifiable net assets.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(c) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

(d) Revenue

The Group recognize the revenues from contracts with customers in accordance with IFRS 15.

Under the standard, revenue is recognized when or as the customer acquires control over the goods or services rendered, at the amount which reflects the price at which the Group is expected to be entitled to receive in exchange of those goods or services. Revenue is recognized at the fair value of the services rendered or goods delivered, net of VAT, excises or other taxes related to the sale.

Supply and distribution of electricity

The revenue from supply and distribution of electricity to consumers is recognized when electricity is delivered to consumers (consumed by consumers), based on meter readings and based on estimates for electricity delivered and for which no reading was performed yet. The invoicing of electricity sales is performed on a monthly basis. Monthly electricity invoices are based on meter readings or on estimated consumptions based on the historical data of each consumer. Electricity supplied to consumers which is not yet billed as at the reporting date is accrued on the basis of recent average consumption or based on subsequent meter readings. Differences between estimated and actual amounts are recorded in subsequent periods.

Revenues from electricity distribution and supply also include the cost of green certificates recharged by the Group to final consumers (see paragraph (k)).

The Group acts in the capacity of an agent in case of transactions as Balancing Responsible Party ("BRP"). Thus, in its quality as an agent, the Group recognizes revenue for the commission earned in exchange for facilitating the transfer of goods or services. Any holder of a production/supply/distribution license must be established as a Balancing Responsible Party or must delegate this responsibility to a Balancing Responsible Party. By delegating this responsibility to a BRP, there is the benefit of imbalance aggregation in the meaning of Balancing Market cost reduction by comparison with the case where the producer/supplier/distributor would act itself as a Balancing Responsible Party.

Electrica Furnizare S.A. acts as BRP for a large number of participants, electricity producers as well as electricity suppliers and distribution operators. For the settlement of imbalances, BRP Electrica is using the "method of internal redistribution of payments", ensuring benefits of imbalance aggregation for all the participants included in the BRP. BRP Electrica provides the transmission of physical notifications to CNTEE Transelectrica SA and its role is to balance the differences between the electricity contracted and the electricity measured at the level of the entire BRP.

Generation and sale of electricity

The electricity produced by the Group is mainly sold on the Day Ahead Market and the revenue is recognized when the electricity is injected into the network and is being sold on the market.

Sale of green certificates

Electricity suppliers have a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers. Cost of green certificates is invoiced to final customers separately from the tariffs for electricity.

Electricity producers are entitled by the law in force to receive a certain number of green certificates for each MWH of electricity produced from renewable sources and injected into the network. The green certificates can be sold on the spot market, term market or a combination of both. The selling price must fall between the minimum and maximum values set by Law no. 220/2008 for establishing the system for promoting the production of electricity from renewable energy sources, republished, with subsequent amendments. Revenue from green certificates is recognized in the profit or loss statement when the green certificates are sold on the trading market.

Rendering of services

Revenues related to services rendered are recognised in the period in which the services were rendered based on statements of work performed, regardless of when paid or received, in accordance with the accrual basis.

Sales of goods

Revenue from sale of goods is recognized when the control of the goods has been transferred to a customer. Control refers to the customer's ability to direct the use of and obtain substantially all of the remaining benefits from, an asset.

Service concession arrangement

Revenue related to construction or upgrade services under service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the accounting policy on recognising revenue on construction contracts, as follows:

- Revenue in respect of variations to contracts and incentive payments is recognised when there is an enforceable right to payment and it is highly probable it will be agreed by the customer. Variable consideration is assessed on a contract by contract basis according to the facts, circumstances and terms of each project and only recognised to the extent that it is highly probable not to significantly reverse in the future. Revenue in respect of claims is recognised only if it is highly probable not to reverse in future periods.
- If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.
- Contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately as expense.

(e) Other income

Revenues from the subsidies

Revenues from subsidies are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate, as a result of the application of the electricity price cap. These subsidies are recoverable from the National Agency for Payments and Social Inspection for household consumers and from the Ministry of Energy for non-household consumers, as a result of the application of the electricity and natural gas price ceiling mechanism and are applicable for period 1 November 2021 – 31 March 2025. Starting with April 2022, the revenues from subsidies are recorded as the difference between the income calculated at the contract price and the income invoiced to the customer at the capped price.

(f) Repairs and maintenance

Repair and maintenance expense is recorded as the operating expense base on an accrual basis.

(g) Commissions

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for the transactions acting as Balancing Responsible Party. If the Group acts in the capacity of an agent rather than as the principal in a transaction, then the income recognised is the net amount of commission earned by the Group.

(h) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- income from financial assets related to concession arrangements;
- foreign currency gains or losses on financial assets and financial liabilities;
- impairment losses recognised on financial assets (other than trade receivables).

Interest income or expense is recognised using the effective interest method.

Income from financial assets is initially recognised at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue.

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date, as communicated by the National Bank of Romania. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated to the functional currency.

(j) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The Group determines the net interest expense/(income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(k) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets 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 realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that the future taxable profits will be available against which they can be used.

The Group applies IFRIC 23 „Uncertainty over Income Tax Treatments". IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

In such a circumstance, the Group shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation.

The Group assesses whether it is probable (more than 50% chances) that a tax authority will accept an uncertain tax treatment.

Thus, the Group shall reflect the effect of uncertainty for each uncertain tax treatment by using either of the following methods, depending on which method the entity expects to better predict the resolution of the uncertainty:

(a) the most likely amount - the single most likely amount in a range of possible outcomes. The most likely amount may better predict the resolution of the uncertainty if the possible outcomes are binary or are concentrated on one value.

(b) the expected value - the sum of the probability-weighted amounts in a range of possible outcomes. The expected value may better predict the resolution of the uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value.

(l) Green certificates

Electricity supply

Electricity suppliers have a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers.

The cost of green certificates is accrued in the profit or loss based on the quantitative quota determined by the regulator representing the quantity of the green certificates that the Group has to purchase for the year and based on the price of green certificates acquired on the centralized market. The obligation for covering the annual acquisition quota is accrued in profit or loss.

Electricity generation

Electricity producers are entitled by the law in force to receive a certain number of green certificates for each MWH of electricity produced from renewable sources and injected into the network.

Green certificates are recognized as inventories when the producer has the right to receive as a result of energy produced and delivered into the network, at nil nominal value. Recognition in the profit and loss account is done at the time of their sale.

(m) Inventories

Inventories consist mainly of spare parts that do not meet the recognition criteria for property, plant and equipment, consumables, goods for resale, other inventories and the natural gas storage.

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories is based on the weighted average cost method. The cost of inventories includes all the acquisition costs and other expenses related to bringing the inventories to their current place and condition.

Consumables used for the repairs and maintenance of the electricity network are included in profit and loss when consumed and presented in "*Repairs, maintenance and materials*".

(n) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated initially at cost, which includes purchase price and other costs directly attributable to acquisition and bringing the asset to the location and condition necessary for their intended use.

After initial recognition, land and buildings are measured at revalued amounts less any accumulated depreciation and any accumulated impairment losses since the most recent valuation. The other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Revaluations of land and buildings are made with sufficient regularity to ensure that the carrying amount does not differ materially from the one that would be determined using the fair value at the end of the reporting period.

When a building is revalued, the accumulated depreciation is eliminated against the gross carrying amount of that item, and the net amount is restated to the revalued amount of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

Spare parts, stand-by and servicing equipment are classified as property, plant and equipment if they are expected to be used during more than one period or can be used only in connection with an item of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land and construction in progress are not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

Category	Useful lives (years)
Buildings	45-70
Equipment	3-25
Motor vehicles and office equipment	3-10

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Intangible asset in a service concession arrangement

(i) Recognition and measurement

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for use of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided. Subsequent to initial recognition, the intangible asset is measured at cost, less accumulated amortization and accumulated impairment losses.

(ii) Amortization

The amortization method used is selected on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset, and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits. The Group determined that the amortization method that reflects appropriately the expected pattern of consumption of the expected future economic benefits is correlated with the amortisation of the regulated asset base "RAB".

(p) Connection fees

According to art. 25 paragraph (1) of Law no. 123/2012 on electricity and natural gas, as subsequently amended and supplemented, access to power grids of public interest is a mandatory service provided under regulatory conditions, which the transmission and system operator as well as the distribution operators must ensure.

At the request of a new or pre-existing customer, the distribution operators are obliged to communicate the technical and economic conditions for the connection network and to cooperate with the applicant to choose the most advantageous technical and economic solution. Afterwards, a connection contract is concluded between the distribution operator and the customer at a regulated tariff. The actual construction of the connection installation is carried out by a construction supplier certified by ANRE.

The Group collects cash from customers, which is used only to pay for the construction of the connection station, and the Group must then use this asset to connect customers to the network. According to ANRE Order no. 59/2013, with subsequent amendments, these assets remain in the ownership of the network operator.

The Group recognizes the assets at nil value, net of the amount of the deferred income representing the contributions from customers. The assets financed from connection fees received from the new users of the distribution network are not included in the RAB. At the end of the concession contract, the assets built from the connection tariff will be transferred to the concessionaire free of charge together with the assets part of RAB.

Starting with 2021, according to ANRE Order no. 160/2020 amending ANRE Order no.59/2013, the connection installations that are financed by the customers will remain in their ownership and are being exploited by the network operator. However, according to ANRE Order no. 17/2021 for the connection installations of all household consumers and of the non-household with lengths less than 2.5 km, the distribution operator has the obligation to finance them and these will remain in the ownership of the network operator.

(q) Other intangible assets

(i) Recognition and measurement

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives of software and licenses are 3-5 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(r) Goodwill

Goodwill is measured as the value of the consideration transferred (fair value) plus the amount of any non-controlling interest (NCI) plus the fair value of previous equity interests minus the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (measured in accordance with IFRS 3).

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(s) Assets held for sale

Non-current assets or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(t) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity shares of another enterprise. For this purpose, a financial asset is any asset that is (a) cash; (b) a contractual right to receive cash or another financial asset from another enterprise; (c) a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable; or (d) an equity share of another enterprise.

(u) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets are initially measured at fair value and subsequently at amortized cost in accordance with IFRS 9, as they are held in a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal reimbursements, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Loans and receivables comprise trade receivables, cash and cash equivalents and deposits.

Trade receivables

Trade receivables include mainly unsettled invoices issued until reporting date for supply and distribution of electricity and services, late payment penalties and accrued revenue for electricity delivered and services rendered until the end of the year but invoiced after the end of the year.

Government grants

Government grants that compensate the Group for operating activities (not related to capital expenses) are recognised expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

Other receivables from capping schemes:

The compensation of household consumers for part of the costs incurred by the electricity invoices was applicable between 1 November 2021 until 31 March 2022.

The exemption was applicable between 1 November 2021 until 31 January 2022 for several types of non-household consumers from payment of regulated tariffs and other taxes/ contributions.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and deposits with maturities of three months or less from the set-up date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

Financial assets derived from concession agreement amendments

Based on the concession contracts amendments between the distribution subsidiary and Ministry of Energy, the additional cost of purchasing electricity for covering the own technological consumption of the distribution operators (actual costs with the purchase of electricity for CPT coverage compared to the costs included in the regulated tariffs) are recognised in purchase-selling price in the agreements, until their recuperations in tariffs from the consumers, as stipulated by ANRE regulations. The financial assets are measured initially at fair value and subsequently at fair value through P&L (FVTPL) in accordance with IFRS 9.

(v) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) valued as at fair value, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Other financial liabilities include bank borrowings, bank overdrafts, financing for network construction related to concession agreements and trade payables.

(w) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

(x) Impairment

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at fair value through other comprehensive income. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(ii) Write-off policy

The Group writes off a financial asset after the finalization of the bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(y) Revaluation reserve

The difference between the revalued amount and the net carrying amount of property, plant and equipment is recognised as revaluation reserve included in equity.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised and accumulated in equity under the heading of revaluation reserve. However, the increase is recognised in profit and loss to the extent that it reverses a revaluation decrease of the same amount of the asset previously recognised in profit and loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognized in equity in revaluation reserves if there is any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings in an amount corresponding to the use of the asset (as the asset is depreciated) and upon disposal of the asset.

(z) Dividends

Dividends are recognized as a deduction from equity in the period in which their distribution is approved and recognised as a liability to the extent it is unpaid at the reporting date. Dividends are disclosed in the notes to financial statements when their distribution is proposed after the reporting date and before the date of the issuance of the financial statements.

(aa) Pre-paid capital contributions in kind from shareholders

These contributions from a shareholder represent pre-paid contributions of land for which the Company obtained title deeds in respect of future issuance of shares. The amounts recorded are based on the fair value of the land.

(bb) Provisions

A provision is recognised if, as a result of a past event, the Group has a present, legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(cc) Contingent assets and liabilities

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events that is not recognised because:

i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

ii. the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the Group's financial statements, but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent asset is not recognized in the Group's financial statements, but disclosed when an inflow of economic benefits is probable.

(dd) Leases

(i) The Group as lessee

The Group applies IFRS 16 „Leases".

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (with a lease term of 12 months or less) and leases of low value assets (of less than USD 5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the default rate in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

(ii) Rental income

Rental income from property, plant and equipment other than investment property is recognised as *Other income*. Rental income is recognised on a straight-line basis over the term of the lease.

(ee) Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate.

(ff) Segment reporting

Segment results that are reported to the Company's Board of Directors (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(gg) Subsequent events

Events occurring after the reporting date 31 December 2022, which provide additional information about conditions prevailing at the reporting date (adjusting events) are reflected in the consolidated financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting date (non-adjusting events), when material, are disclosed in the notes to the consolidated financial statements. When the going concern assumption is no longer appropriate at or after the reporting period, the financial statements are not prepared on a going concern basis.

7 Adoption of new and revised standards and interpretations

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- Amendments to IAS 16 "Property, Plant and Equipment" - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IFRS 3 "Business Combinations" - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated).

The adoption of amendments to the existing standards has not led to any material changes in the Group's consolidated financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these consolidated financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- IFRS 17 "Insurance Contracts" including amendments to IFRS 17 issued by IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 17 "Insurance contracts" - Initial Application of IFRS 17 and IFRS 9 – Comparative Information, adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 12 "Income Taxes" - Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023).

The Group has elected not to adopt the amendments to existing standards in advance of their effective dates. The Group anticipates that the adoption of these amendments to existing standards will have no material impact on the financial statements of the Group in the period of initial application.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of these consolidated financial statements (the effective dates stated below is for IFRS as issued by IASB):

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 "Presentation of Financial Statements" - Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- Amendments to IFRS 16 "Leases" - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The International Accounting Standards Board has been currently working on the development of a new IFRS international financial reporting standard that will align the current standard "IFRS 14 Deferral Accounts Related to Regulated Activities" to the new requirements of the energy market at EU and global level, which is expected to take into account all relevant related subjects, including the proper treatment of own technological consumption expenses. IASB has redeliberated proposals in the Exposure Draft Regulatory Assets and Regulatory Liabilities based on the feedback received on previous variants on Exposure Drafts made available for public comment (https://www.ifrs.org/projects/work-plan/rate-regulated-activities/#current-stage). As debated in exposure drafts, until now there is no approved legislation at IASB level. Currently IFRS 14 (originally issued in January 2014 and applied to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016) can be applied only when a reporting entity is a IFRS First Time Adopter. As the Group is not a IFRS First Time Adopter, the management of the Company did not consider any impact coming out from the application of IFRS 14, further guidance being expected in the future.

(All amounts are in THOUSAND RON, if not otherwise stated)

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the consolidated financial statements of the Group in the period of initial application.

8 Operating segments

(a) Basis for segmentation

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Electricity and natural gas supply	Buying and supplying electricity and natural gas to final consumers (includes Electrica Furnizare S.A.)
Electricity distribution	Operation, maintenance and construction of electricity networks operated by the Group (includes Distributie Energie Electrica Romania S.A. and the activity performed by Electrica Serv S.A within the distribution network).
Electricity generation	Production of electricity from renewable sources (includes Electrica Energie Verde 1 S.R.L., Electrica Productie Energie S.A., Sunwind Energy S.R.L., New Trend Energy S.R.L., Green Energy Consultancy & Investments S.R.L.).
External electricity network maintenance	Repairs, maintenance and other services for electricity networks owned by other distributors (Electrica Serv S.A., without the activity performed in the electricity distribution segment).

The Board of Directors of the Company reviews management reports of each segment. Segment earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA") is used to measure performance because management believes that such information is one of the most relevant in evaluating the results of the segments.

There are varying levels of integration between the Electricity supply, Electricity distribution and External electricity network maintenance segments. This integration includes electricity distribution and shared electricity network maintenance services. Inter-segment pricing policy is determined on an arm's length basis.

All assets are allocated to reportable segments, except for investments in associates and deferred tax assets.

(b) Information about reportable segments

Year Ended 31 December 2022	Electricity and natural gas supply	Electricity production	Electricity distribution	Electricity network maintenance	Total for reportable segments	Head-quarter	Consolidation eliminations and adjustments	Consolidated total
External revenues	8,153,190	14,180	1,817,054	25,472	**10,009,896**	-	-	**10,009,896**
Inter-segment revenue	32,824	7,200	1,579,572	55,612	**1,675,208**	-	(1,675,208)	**-**
Segment revenue	**8,186,014**	**21,380**	**3,396,626**	**81,084**	**11,685,104**	**-**	**(1,675,208)**	**10,009,896**
Other income	2,754,954	49	1,111,062	42,295	**3,908,360**	5,180	(121,020)	**3,792,520**
Segment profit (loss) before tax	**315,170**	**9,526**	**359,377**	**(2,399)**	**681,674**	**25,603**	**(43,354)**	**663,923**
Net finance (cost)/ income	(63,168)	(2,482)	(152,049)	11,361	**(206,338)**	65,857	(24,514)	**(164,995)**
Depreciation and amortization	(12,557)	(2,480)	(468,282)	(11,348)	**(494,667)**	(1,586)	-	**(496,253)**

(All amounts are in THOUSAND RON, if not otherwise stated)

Year Ended 31 December 2022	Electricity and natural gas supply	Electricity production	Electricity distribution	Electricity network maintenance	Total for reportable segments	Head-quarter	Consolidation eliminations and adjustments	Consolidated total
Impairment of property, plant and equipment, net	-	-	-	-	**-**	5	-	**5**
Impairment losses on trade receivables and contract assets, net	(131,794)	-	19,177	204	**(112,413)**	102	-	**(112,311)**
EBITDA*	390,895	14,488	979,708	(2,412)	**1,382,679**	(38,673)	(18,843)	**1,325,163**
Segment net profit (loss)	261,099	8,006	308,152	(673)	**576,584**	25,615	(43,354)	**558,845**
Salaries and other employee benefits	(102,619)	(171)	(661,963)	(30,055)	**(794,808)**	(28,614)	-	**(823,422)**
Segment assets	**4,141,083**	**146,743**	**9,076,633**	**418,940**	**13,783,399**	**213,625**	**(2,373,712)**	**11,623,312**
Trade and other receivables	2,579,678	5,265	960,913	90,557	**3,636,413**	378	(1,043,536)	**2,593,255**
Financial assets	-	-	951,557	-	**951,557**	-	-	**951,557**
Cash and cash equivalents	148,919	4,889	69,826	5,623	**229,257**	105,630	-	**334,887**
Trade and other payables, and short term employee benefits	2,365,894	16,101	1,026,377	42,313	**3,450,685**	44,399	(1,033,845)	**2,461,239**
Bank overdrafts	1,589,801	-	772,098	-	**2,361,899**	209,138	-	**2,571,037**
Finance lease	8,469	12,088	33,830	(983)	**53,404**	269	-	**53,673**
Financing for network construction related to concession agreements, bank loans and finance lease	-	-	660,713	-	**660,713**	100,000	-	**760,713**
Capital expenditure	9,058	-	612,664	1,342	**623,064**	2,323	-	**625,387**

*Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation or namely EBITDA) for operating segments is defined and calculated as segment profit/(loss) before tax of a given operating segment adjusted for i) depreciation, amortization and impairment/reversal of impairment of property, plant and equipment and intangible assets in the operating segment, ii) impairment of assets held for sale and iii) net finance income in the operating segment. EBITDA is not an IFRS measure and should not be treated as an alternative to IFRS measures. Moreover, EBITDA is not uniformly defined. The method used to calculate EBITDA by other companies may differ significantly from that used by the Group. As a consequence, the EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA of other companies.

Year ended 31 December 2021	Electricity and natural gas supply	Electricity distribution	Electricity generation	External electricity network maintenance	Total for reportable segments	Headquarter	Consolidation eliminations and adjustments	Consolidated total
External revenues	5,741,460	1,389,389	6,024	41,991	**7,178,864**	-	-	**7,178,864**
Inter-segment revenue	30,907	1,341,456	2,949	26,127	**1,401,439**	-	(1,401,439)	**-**
Segment revenue	**5,772,367**	**2,730,845**	**8,973**	**68,118**	**8,580,303**	**-**	**(1,401,439)**	**7,178,864**

(All amounts are in THOUSAND RON, if not otherwise stated)

Year ended 31 December 2021	Electricity and natural gas supply	Electricity distribution	Electricity generation	External electricity network maintenance	Total for reportable segments	Headquarter	Consolidation eliminations and adjustments	Consolidated total
Segment profit/(loss) before tax	**(453,610)**	**(153,003)**	**1,544**	**(17,868)**	**(622,937)**	**321,779**	**(331,253)**	**(632,411)**
Net finance income/(cost)	336	(73,498)	(738)	850	**(73,050)**	377,419	(331,250)	**(26,881)**
Amortization and depreciation	(14,228)	(451,945)	(2,290)	(10,092)	**(478,555)**	(2,275)	-	**(480,830)**
(Impairment)/ Reversal of impairment of property, plant and equipment and intangible assets, net	-	-	-	137	**137**	3,805	-	**3,942**
Reversal of impairment of assets held for sale	-	-	-	(154)	**(154)**	(492)	-	**(646)**
Adjusted EBITDA*	(439,718)	372,440	4,572	(8,609)	**(71,315)**	(56,678)	(3)	**(127,996)**
Reversal of impairment/ (Impairment) of trade and other receivables, net	(37,767)	(32,707)	-	(212)	**(70,686)**	70	-	**(70,616)**
Segment profit/(loss) after tax	(389,678)	(139,040)	1,300	(16,033)	**(543,451)**	321,822	(331,253)	**(552,882)**
Employee benefits	(106,107)	(622,492)	(47)	(34,790)	**(763,436)**	(39,240)	-	**(802,676)**
Capital expenditure	9,374	500,387	8	1,552	**511,321**	4,539	-	**515,860**
Segment assets	**1,422,316**	**8,085,802**	**41,206**	**417,744**	**9,967,068**	**182,509**	**(2,266,441)**	**7,883,136**
Trade and other receivables	1,216,895	1,057,157	998	85,924	**2,360,974**	75,106	(1,042,861)	**1,393,219**
Cash and cash equivalents	60,231	145,741	2,635	7,466	**216,073**	5,757	-	**221,830**
Restricted cash (short term)	1,380,664	826,256	24,373	27,917	**2,259,210**	53,551	(1,016,329)	**1,296,432**
Trade and other payables and short term employee benefits	298,602	208,109	-	-	**506,711**	120,691	-	**627,402**
Bank overdrafts	3,270	15,147	-	2,614	**21,031**	513	-	**21,544**
Lease liability	-	628,489	-	-	**628,489**	-	-	**628,489**
Bank borrowings								

*Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation or namely EBITDA) for operating segments is defined and calculated as segment profit/(loss) before tax of a given operating segment adjusted for i) depreciation, amortization and impairment/reversal of impairment of property, plant and equipment and intangible assets in the operating segment, ii) impairment of assets held for sale and iii) net finance income in the operating segment. EBITDA is not an IFRS measure and should not be treated as an alternative to IFRS measures. Moreover, EBITDA is not uniformly defined. The method used to calculate EBITDA by other companies may differ significantly from that used by the Group. As a consequence, the EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA of other companies.

(All amounts are in THOUSAND RON, if not otherwise stated)

9 Revenue

	2022	2021
Electricity distribution and supply	8,991,986	6,517,777
Supply of natural gas	308,515	98,503
Construction revenue related to concession agreements (Note 23)	611,294	500,387
Repairs, maintenance and other services rendered	87,395	59,854
Proceeds from sale of green certificates	3,741	1,138
Re-connection fees	3,824	1,205
Sales of merchandise	3,141	-
Total	**10,009,896**	**7,178,864**

In respect to the timing of the revenue recognition, most of the Group's services provided are transferred to the customer over time, only a small part amounting to RON 2,694 thousand (2021: RON 2,081 thousand) being transferred at a point in time (e.g. metering services provided by the distribution companies, providing periodic data analysis to the customer for certain taxes collected on behalf of them).

10 Electricity and natural gas purchased

	2022	2021	
Electricity purchased	9,886,773	4,967,315	
Green certificates purchased	609,107	581,729	
Natural gas purchased	10,929	145,680	
Total		**10,506,809**	**5,694,724**

The cost of electricity and natural gas purchased includes the cost of the green certificates purchased by the supply subsidiary which has a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to final customers. The cost of green certificates is then invoiced to final customers separately from electricity tariffs.

11 Other income and expenses

(a) Other income

	2022	2021
Subsidies related to electricity and natural gas supply (note 18)	2,687,131	-
Other income from initial recognition of financial assets related to concession arrangements (note 25)	951,557	-
Rental income	92,486	93,143
Late payment penalties from customers	52,110	28,356
Other	9,236	74,272
Total	**3,792,520**	**195,771**

Rental income refers mainly to the subsidies, following by rental of the electricity poles by the distribution subsidiary to telecom operators.

During 2022, the Group recognized subsidies on the supply segment of RON 2,687,131 thousand, out of which RON 1,224,375 thousand are outstanding receivable from the Ministry of Energy following the application of the capping price mechanism for the electricity and natural gas as approved by Order no. 118/2021 with subsequent amendments and GEO no. 27/2022, the latter one being amended by GEO no. 119/2022.

(All amounts are in THOUSAND RON, if not otherwise stated)

(b) Other operating expenses

	2022	2021
Other taxes and duties	46,950	43,211
Utilities	56,643	39,697
Printing and distribution of invoices services	44,092	36,960
IT services	34,929	30,411
Security services	17,549	26,718
Meters reading expenses	39,748	22,219
Cash collection services	14,632	15,819
Rent	21,010	12,205
Postage and telecommunication services	18,998	11,680
Call centre services	10,929	11,011
Other	47,491	93,216
Total	**352,971**	**343,147**

*Meter reading expenses have increased during 2022 as a consequence of changes in legislation related to frequency of meter readings. During 2021 meters were read with a frequency of 2 times per year as compared to 2022 when they are measured quarterly (according to ANRE, the date between measurement cannot exceed 3 months).

12 Net finance cost

	2022	2021
Interest income	2,847	1,765
Other finance income	6,871	882
Total finance income	**9,718**	**2,647**
Interest expense	(156,985)	(24,110)
Interest cost for employee benefits (Note 15)	(7,354)	(5,007)
Foreign exchange losses, net	(10,374)	(411)
Total finance costs	**(174,713)**	**(29,528)**
Net finance cost	**(164,995)**	**(26,881)**

13 Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share has been based on the following profit attributable to Company's shareholders and weighted-average number of ordinary shares outstanding:

Profit/(Loss) attributable to shareholders

	2022	2021
Profit/(Loss) for the year attributable to the owners of the Company	558,954	(552,882)
Profit attributable to shareholders of the Company	**558,954**	**(552,882)**

Number of ordinary shares (in number of shares)

	2022	2021
Number of ordinary shares at 31 December	**339,553,004**	**339,553,004**

For the calculation of basic and diluted earnings per share, treasury shares (6,890,593 shares) were not treated as outstanding ordinary shares and were deducted from the number of issued ordinary shares.

(All amounts are in THOUSAND RON, if not otherwise stated)

Earnings/(Loss) per share	2022	2021
Basic and diluted earnings/(loss) per share (RON)	**1.65**	**(1.63)**

14 Short-term employee benefits

	31 December 2022	31 December 2021
Personnel payables	70,105	52,419
Current portion of defined benefit liability and other employee benefits	11,548	18,257
Social security charges	27,301	25,342
Tax on salaries	5,220	5,084
Total	**114,174**	**101,102**

For details of the related employee benefit expenses, see Notes 15 and 16.

In Romania, all employers and employees, as well as other persons, are contributors to the State social security system. The social security system covers pensions, child benefit, temporary inability to work situations, risks of work accidents and professional diseases and other social assistance services, redundancy payments and incentives granted to employers for creating new jobs.

15 Post-employment and other long-term employee benefits

The Group provides cash benefits to employees depending on seniority in the form of jubilee bonuses and depending on the years of service at retirement in the form of retirement bonuses. The post-employment and other long-term employee benefits are stipulated in the Collective Labour Contracts.

In 2022 and 2021, employee benefit obligations were computed by an independent actuary using the projected unit credit method with benefits calculated proportionally to the period of service.

	31 December 2022	31 December 2021
Defined benefit liability	41,675	79,078
Other long-term employee benefits	87,762	88,356
Total	**129,437**	**167,434**
- Current portion*	12,168	18,257
- Non-current portion	117,269	149,177

*included in Personnel payables in Note 14

(a) Movement in the defined benefit liability and other long-term employee benefits

The following tables shows a reconciliation from the opening balances to the closing balances for the defined benefit liability and other long-term employee benefits and its components. There are no plan assets.

Defined benefit liability	2022	2021
Balance at 1 January	**79,078**	**68,101**
Included in profit or loss		
Current service cost	4,893	5,158
Past service cost	(23,367)	5,054
Interest cost	3,100	2,194
Included in other comprehensive income		
Remeasurements loss		
- Actuarial loss	(9,503)	5,891
Other		
Benefits paid	(12,526)	(7,320)
Balance at 31 December	**41,675**	**79,078**

(All amounts are in THOUSAND RON, if not otherwise stated)

Defined benefit liability	2022	2021
Other long-term employee benefits	**2022**	**2021**
Balance at 1 January	**88,356**	**86,195**
Included in profit or loss		
Current service cost	7,786	8,285
Past service cost	(353)	-
Actuarial (gain)/ loss	(4,509)	(1,859)
Interest cost	4,256	2,814
Other		
Benefits paid	(7,775)	(7,079)
Balance at 31 December	**87,761**	**88,356**

Defined benefits refer to the retirement bonuses granted according to the seniority within the Group and other long-term benefits refer to the jubilee bonuses granted for seniority.

(I) Actuarial assumptions

The following were the main actuarial assumptions at each reporting date:

(a) Macroeconomic assumptions:

- inflation. The actuary used information from the *National Commission for Strategy and Prognosis:*

Year	Valuation date 31 December 2022	Valuation date 31 December 2021
2022	13.9%	5.9%
2023	7.5%	3.2%
2024	4.9%	3.0%
2025	3%	2.8%
2026+	2.5%	2.5%

- the discount rate used is based on the yield of the Romanian Government bonds at the reporting date, therefore the weighted average discount rate is 8.1% for the year 2022 (2021: 5%);
- taxes and social charges are those in force as at the reporting date.

(b) Group specific assumptions:

- For the year 2022 were taken into consideration the salaries' growth rates budgeted by the Group. Starting with the year 2023, salaries' growth is forecasted at the inflation rate;
- Employees' turnover: based on historical data;
- Jubilee and retirement bonuses granted based on seniority as per the collective labour contracts, as follows:

Jubilee bonus based on years of service in the Group		
Seniority	**No of gross monthly base salaries**	
	31 December 2022	**31 December 2021**
20 years	1	1
30 years	2	2
35 years	3	3
40 years	4	4
45 years	5	5

Retirement bonus based on years of service in the Group		
Seniority	**No of gross monthly base salaries**	
	31 December 2022	**31 December 2021**
Between 8 and 10 years	2	2
Between 10 and 25 years	3	3
More than 25 years	4	4

(All amounts are in THOUSAND RON, if not otherwise stated)

Termination benefits

(a) Termination benefits for individual lay-offs at the Group's initiative

In accordance with the Collective Labour Contracts concluded between the Group and the Unions, when individual labour contract are terminated at the Group's initiative, the Group pays termination benefits to the employees depending on their period of service, as follows:

Period of service	No of gross monthly base salaries	
	31 December 2022	31 December 2021
1 – 2 years	2	2
2 – 5 years	3	3
5 – 10 years	4	4
10 – 20 years	5	5
More than 20 years	8	8

(b) Termination benefits for collective lay-offs at the Group's initiative

For collective lay-offs, according to the Collective Labour Contracts, the Group pays termination benefits to the employees depending on their period of service, as follows:

Period of service	No of gross monthly base salaries	No of gross monthly base salaries
	31 December 2022	31 December 2021
1 – 3 years	3	3
3 – 5 years	6	6
5 – 10 years	7	7
10 – 20 years	11	11
More than 20 years	16	16

The above-mentioned stipulations do not apply to employees with individual labour contract concluded for a determined period. The above stipulations do not apply to employees that obtained other higher cumulative salary compensation rights, provided by legal regulations regarding the Group's reorganization and restructuring. Employees who are re-employed within the Group after lay-off are not entitled to the above-mentioned benefits.

(ii) Sensitivity analysis

Significant actuarial assumptions for the determination of the benefit obligation are the discount rate, expected salary increase and retirement age. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Increase by 1%		Decrease by 1%	
	2022	2021	2022	2021
Discount rate	(9,237)	(12,489)	8,611	12,489
Salary growth	9,415	12,957	(10,049)	(12,957)
	Increase by 1 year		Decrease by 1 year	
	2022	2021	2022	2021
Retirement age	812	3,677	(812)	(3,677)

The sensitivity analysis presented above may not be representative of the actual change in the benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of the benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the benefit obligation liability recognized in the statement of financial position.

(All amounts are in THOUSAND RON, if not otherwise stated)

16 Employee benefit expenses

	2022	2021
Average number of employees	7,760	7,919
Number of employees at 31 December	7,874	8,020

	2022	2021
Wages and salaries*	790,425	796,137
Social security contributions	20,694	19,486
Meal tickets	33,187	33,585
Termination benefits	267	6,135
Total employees benefits for the year	**844,573**	**855,343**
Capitalised employee benefit expenses	(21,151)	(52,667)
Total employees benefits in the statement of profit or loss	**823,422**	**802,676**

*Wages and salaries include also current service cost, defined benefits and other long-term employee benefits.

Management remuneration is disclosed in *Note 33 b) Related parties*.

17 Income taxes

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. The Group considers that the accounting records for taxes due are adequate for all open tax years, based on assessment made by management taking into account various factors, including the interpretation of tax legislation and previous experience. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period when such a determination is made.

(i) Amounts recognised in profit or loss

	2022	2021
Current tax expense	2,576	242
Deferred tax expense/(benefit)	102,502	(79,771)
Total expense/(benefit) related to income tax	**105,078**	**(79,529)**

(ii) Amounts recognised in other comprehensive income

	2022			2021		
	Before tax	**Tax expense**	**Net of tax**	**Before tax**	**Tax expense**	**Net of Tax**
Remeasurement of defined benefit liability	9,503	(1,479)	8,024	(5,891)	(45)	(5,936)
Total	**9,503**	**(1,479)**	**8,024**	**(5,891)**	**(45)**	**(5,936)**

(iii) Reconciliation of effective tax rate

	2022	2021
Profit/(Loss) before tax	**663,923**	**(632,411)**

	2022		2021	
Tax/(Benefit) using Company's domestic tax rate	**16%**	**106,230**	**16%**	**(101,186)**
Non-deductible expenses	4%	28,843	-7%	45,558
Non-taxable income	-3%	(22,083)	3%	(15,878)
Deduction of legal reserves	-1%	(3,388)	0%	(2,574)
Other tax effects	0%	(137)	0%	(1,607)
Recognition of tax effect of previously unrecognised tax losses	-1%	(4,387)	1%	(3,842)
Income tax expense/ (benefit)	**16%**	**105,078**	**13%**	**(79,529)**

(iv) Movement in deferred tax balances

				Balance at 31 December 2022		
2022	**Net balance at 1 January 2022**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	39,838	(2,858)	-	36,980	-	36,980
Intangible assets related to concession agreements	187,500	20,515	-	208,015	-	208,015
Employee benefits	(23,940)	1,360	1,479	(21,101)	(21,101)	-
Impairment of trade receivables	(24,732)	(6,198)	-	(30,930)	(30,930)	-
Tax loss carried forward	(95,972)	89,904	-	(6,068)	(6,068)	-
Other items	(4,299)	(222)	-	(4,521)	(4,521)	-
Tax liabilities/ (assets) before set-off	**78,395**	**102,501**	**1,479**	**182,375**	**(62,620)**	**244,995**
Set off of tax					32,440	(32,440)
Net tax liabilities/ (assets)					**(30,180)**	**212,555**

As of 31 December 2021, the Group recorded a deferred tax asset in amount of RON 95,972 thousand in relation to the fiscal losses incurred. The Group used RON 89,904 thousand as of 31 December 2022 to partially compensate the 2022 current tax liability.

(All amounts are in THOUSAND RON, if not otherwise stated)

2021	Net balance at 1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December 2021		
				Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	41,757	(1,919)	-	39,838	-	39,838
Intangible assets related to concession agreements	171,712	15,788	-	187,500	-	187,500
Employee benefits	(22,603)	(1,382)	45	(23,940)	(23,940)	-
Impairment of trade receivables	(20,859)	(3,873)	-	(24,732)	(24,732)	-
Tax loss carried forward	(7,765)	(88,207)	-	(95,972)	(95,972)	-
Other items	(4,121)	(178)	-	(4,299)	(4,299)	-
Tax liabilities/ (assets) before set-off	**158,121**	**(79,771)**	**45**	**78,395**	**(148,943)**	**227,338**
Set off of tax					65,412	(65,412)
Net tax liabilities/ (assets)					**(83,531)**	**161,926**

*see Note 32

(v) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the certain tax losses generated by the Company, because it is not probable that future taxable profit will be available against which the entity generating it can use the benefits therefrom.

	2022	2021
Tax losses	337,136	356,623

18 Trade receivables

	31 December 2022	31 December 2021
Trade receivables, gross	3,118,691	2,325,477
Bad debt allowance	(652,689)	(980,858)
Total trade receivables, net	**2,466,002**	**1,344,619**

Trade receivables from related parties are presented in Note 33.

Trade receivables, gross, comprise:

	31 December 2022	31 December 2021
Electricity distribution and supply	2,482,266	1,323,732
Late payment penalties receivable	80,658	81,311
Customers with judicial execution titles	347,667	766,109
Repairs, maintenance and other services	11,850	17,700
Other	196,250	136,625
Total trade receivables, gross	**3,118,691**	**2,325,477**

Electricity distribution and supply

Following the adoption of the Order no. 118/2021 with subsequent amendments and GEO no. 27/2022, the latter one being amended by GEO no. 119/2022, concerning the capping and compensation mechanism, part of the receivables due to the subsidiary Electrica Furnizare S.A. for the sale of electricity and gas are against the Romanian State through National Agency for Payments and Social Inspection and Ministry of Energy. On 31 December 2022, the amounts estimated to be received from the Ministry of Energy for non-household consumers are 20,480 thousand RON (31 December 2021: 11,420 thousand RON) and 21,043 thousand RON (31 December 2021: 59,271 thousand RON) from the National Agency for Payments and Social Inspection for household consumers.

(All amounts are in THOUSAND RON, if not otherwise stated)

The amounts will be recovered in approx. 40 days after submitting the required documentation to the National Agency for Payments and Social Inspection or Ministry of Energy, depending on the case. The receivables are booked under the caption "Electricity distribution and supply".

Oltchim

Oltchim (a state-controlled company) was an important customer of Electrica S.A. until January 2012, when the Company transferred the contract to Electrica Furnizare S.A. In January 2013, Oltchim entered into insolvency procedures and subsequently in May 2019 started the bankruptcy procedures.

By decision of the European Court in Luxembourg pronounced on 15 December 2021 (final decision being applicable as of 21 March 2022), in case T565/19, it was partially cancelled the European Commission Decision no. C (2018) 8592 from 2018, which established a series of measures regarding the recovery by Romania of the State aid granted to Oltchim S.A. By its decision, the European court cancelled a series of the measures, including the amounts considered state aid with which Electrica was registered in the table of receivables.

Following the evolution of the bankruptcy process, on 06 April 2022, the updated table of receivables was published in BPI Tabel Oltchim, which still recognizes only the guaranteed receivables, which in the case of Electrica S.A. the estimated amount that remains to be recovered from the sales of assets of Oltchim SA in the completion of the bankruptcy process is RON 116,058 thousand (including VAT), comprised of the base in the amount of RON 98,725 thousand and respectively the VAT in the amount of RON 17,333 thousand. Considering the events above, as of 31 December 2022 a part of the receivable for Oltchim in amount of RON 420,213 thousand was written off as it was not recognised in the final bankruptcy table. The bad debt allowance was also adjusted with the same amount. As of 31 December 2022, the balance of receivables with Oltchim is RON 115,943 thousand (Electrica S.A. RON 98,725 thousand and Electrica Furnizare S.A. RON 17,218 thousand), bad debt allowance being at the same amount.

The reconciliation between the opening balances and the closing balances of the impairment for trade receivables in the form of lifetime expected credit losses is as follows:

Lifetime expected credit losses	2022	2021
Balance as at 1 January	**980,858**	**949,573**
Loss allowance recognized	146,203	94,400
Decrease in loss allowance	(34,248)	(22,944)
Amounts written off	(440,124)	(40,171)
Balance as at 31 December	**652,689**	**980,858**

The aging of trade receivables is presented in Note 31.

Loss allowances are determined according to IFRS 9 "Financial instruments" based on "expected credit loss" model. In applying IFRS 9, the Group has identified 5 clusters of customers based on shared risk characteristics: 3 separate clusters for the distribution subsidiaries and 2 clusters (households and non-households) for the supply subsidiary.

A significant part of the bad debt allowances refers to clients in litigation, insolvency or bankruptcy procedures, many of them being older than five years. The Group will derecognize these receivables together with the related allowances after the finalization of the bankruptcy process. These receivables were treated separately in computing the allowance according to IFRS 9. The amounts written-off relates to Oltchim (described above).

In applying IFRS 9 as of 31 December 2021, the Group has considered all the information available without undue costs (including forward looking information) that may affect the credit risk of its receivables since original recognition, thus recording a bad debt allowance in amount of RON 146,203 thousand.

(All amounts are in THOUSAND RON, if not otherwise stated)

19 Other receivables

	31 December 2022	31 December 2021
VAT receivable	13,024	12,566
Receivables from EU funds	13,932	-
Other receivables	120,777	56,158
Lifetime expected credit losses	(20,480)	(20,124)
Total other receivables, net	**127,253**	**48,600**

Other receivables include mainly guarantees from energy suppliers and receivables to be recovered from state authorities in respect to medical leave indemnities.

The reconciliation between the opening balances and the closing balances of the impairment for other receivables is as follows:

Loss allowance	2022	2021
Balance as at 1 January	**20,124**	**20,964**
Increase/Decrease in loss allowance	356	(840)
Balance as at 31 December	**20,480**	**20,124**

20 Cash and cash equivalents

	31 December 2022	31 December 2021
Bank current accounts	141,656	167,859
Call deposits	193,219	53,897
Cash in hand	12	74
Total cash and cash equivalents in the consolidated statement of financial position	**334,887**	**221,830**
Overdrafts used for cash management purposes	-	(627,402)
Total cash and cash equivalents in the consolidated statement of cash flows	**334,887**	**(405,572)**

In the normal course of business, the Group enters into short-term credit facility with the aim of financing operational needs. Until 31 December 2021, overdrafts amounting to RON 627,402 thousand were presented as part of cash and cash equivalents. Following the volatility in electricity prices started in 2021 and continued in 2022, these overdrafts have no longer fluctuated from negative to 0 balances, remained negative for the entire year 2022, thus the management of the Group presented these overdrafts for the year ended 31 December 2022 in financing activity, and reclassified the opening balance previously presented as cash and cash equivalents. (for further details please see the transfer presented in Cash Flow statement).

The following information is relevant in the context of the consolidated statement of cash flows: non-cash activity includes set-off between trade receivables and trade payables of RON 53,106 thousand in 2022 (2021: RON 5,941 thousand).

21 Inventories

As at 31 December 2022 and 31 December 2021, inventories are as follows:

	31 December 2022	31 December 2021
Spare parts	29,589	28,569
Consumables and other materials	53,527	33,399
Natural gas	23,319	5,367
Other inventories	17,004	13,938

(All amounts are in THOUSAND RON, if not otherwise stated)

	31 December 2022	31 December 2021
Allowance for impairment of inventories	(9,467)	(8,315)
Total inventories	**113,972**	**72,958**

Inventories include mainly spare parts, consumables and the natural gas storage (applicable only for the supply subsidiary) that was set up according to ANRE's regulations. Spare parts refer mainly to items such as cables, conductors, sockets, switches which are used for the distribution network. As at 31 December 2022, the remaining quantity of natural gas stored is of MWh 107,472 (31 December 2021: MWh 12,186), amounting to RON 23,280 thousand (31 December 2021: RON 5,367 thousand).

22 Property, plant and equipment

The movements in property, plant and equipment in 2022 and 2021 are as follows:

	Land and land improvements	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Gross carrying amount						
Balance at 1 January 2021	**246,075**	**197,148**	**98,896**	**95,336**	**26,225**	**663,680**
Additions	-	167	482	150	8,368	**9,167**
Transfer from construction in progress	-	1,257	2,001	1,967	(5,225)	**-**
Disposals	(46)	(383)	(7,664)	(503)	(180)	**(8,776)**
Reclassification from/(to) assets held for sale	6,769	4,368	(1,914)	-	-	**9,223**
Balance at 31 December 2021	**252,798**	**202,557**	**91,801**	**96,950**	**29,188**	**673,294**
Reclassification of opening assets held for sale	1,024	4,115	-	-	-	5,139
Balance at 31 December 2021	**253,822**	**206,672**	**91,801**	**96,950**	**29,188**	**678,433**
Additions	1,179	-	1,977	804	5,475	**9,435**
Transfer from construction in progress	85	1,133	2,386	269	(3,778)	**95**
Disposals	(3,276)	(1,093)	(1,844)	(838)	(9)	**(7,060)**
Acquisition of subsidiary (Note 32)	25	-	-	-	3,875	**3,900**
Balance at 31 December 2022	**251,835**	**206,712**	**94,320**	**97,185**	**34,751**	**684,803**
Accumulated depreciation and impairment losses						
Balance at 1 January 2021	**-**	**5,013**	**45,216**	**86,550**	**18,771**	**155,550**
Depreciation	-	7,532	8,865	4,721	-	**21,118**
Accumulated depreciation of disposals	-	(14)	(4,546)	(96)	-	**(4,656)**

(All amounts are in THOUSAND RON, if not otherwise stated)

	Land and land improvements	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Reversal of impairment loss	-	-	(3,805)	-	(137)	**(3,942)**
Reclassification from assets held to sale	-	947	(1,142)	-	-	**(195)**
Balance at 31 December 2021	**-**	**13,478**	**44,588**	**91,175**	**18,634**	**167,875**
Depreciation	-	8,022	7,378	4,515	-	**19,915**
Accumulated depreciation of disposals	-		(1,778)	(594)	-	**(2,372)**
Impairment loss	-	(5)	-	-	-	**(5)**
Balance at 31 December 2022	**-**	**21,495**	**50,188**	**95,096**	**18,634**	**185,413**
Net carrying amounts						
At 1 January 2021	**246,075**	**192,135**	**53,680**	**8,786**	**7,454**	**508,130**
At 31 December 2021	**252,798**	**189,079**	**47,213**	**5,775**	**10,554**	**505,419**
At 31 December 2022	**251,835**	**185,217**	**44,132**	**2,089**	**16,117**	**499,390**

Tangible assets include mainly land, buildings and equipment.

In 2021, Electrica Serv S.A.'s Board of Directors approved the selling plan of part of the assets and accordingly, those assets were presented as Assets held for sale, being expected to be sold in the following period. During 2022, only 2 assets (4 in 2021) were sold in amount RON 1,940 thousand (RON 478 thousand in 2021). In October 2022, Electrica Serv S.A.'s Board of Directors postponed the sale approval of the remaining assets included in the selling plan, mentioning that it is unlikely that the selling intention will materialize. Consequently, the Company reclassified the items from assets held for sale to property plan and equipment.

Measurement of fair value

The Group's land, land improvements and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's land, land improvements and buildings as at 31 December 2020 were performed by Darian DRS S.A., an independent valuer not related to the Group. Darian DRS S.A. is member of the National Association of Authorised Romanian Valuers and has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties, whenever possible and discounted cash-flows method.

The following table shows the valuation techniques used in measuring fair values (Level 3), as well as the significant unobservable inputs used.

(All amounts are in THOUSAND RON, if not otherwise stated)

Category	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Land and land improvements	*Market approach* The fair value is estimated based on selling price per square meter of land of similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties and best use). The market price is mainly based on recent transactions.	• Adjustment for liquidity, location, size.	The estimated fair value would increase/(decrease) if: • Adjustment for liquidity, location or size would be lower/(higher)
Buildings	*Market approach and discounted cash-flows (DCF) method* Buildings were evaluated using the following methods, depending on the best use and the availability and credibility of available market information: *Market approach* The market approach is based on the selling price per square meter for buildings with similar characteristics (i.e. ownership, legal limitations, financing and selling conditions, location, physical and economical properties, and best use), adjusted for liquidity, location, size etc. *The DCF method* The valuation model based on the DCF method estimates the present value of net cash flows to be generated by a building taking into account occupancy rate and annual rent. The discount rate estimation considers, inter alia, the quality of a building and its location.	• Adjustment for liquidity, location, size. *Office space rent* • Occupancy rates (between 80% and 90%) • Yield rates (between 7% and 10%) • Annual rent per sqm (between 9 and 19 EUR/sqm), depending on location; *Commercial space rent* • Occupancy rates (between 85% and 90%) • Yield rates (between 7.25% and 11.5%) • Annual rent per sqm (between 10 and 60 EUR/sqm), depending on location;	• Adjustment for liquidity, location or size would be lower/(higher) • Occupancy rates were higher/(lower) • Yield rates were lower/(higher) • Annual rent per sqm was higher/(lower)

23 Intangible assets

Intangible assets include mainly intangible assets related to distribution service concession agreements recorded in accordance with IFRIC 12 "Service Concession Arrangements", as well as licenses and costs of SAP ERP implementation, customer management and billing system and other software, as follows:

	Intangible assets related to concession agreements	Software and licenses	Intangible assets in progress	Total
Gross book value				
Balance at 1 January 2021	**9,631,960**	**188,679**	**1,367**	**9,822,006**
Additions	500,387	5,730	576	506,693
Transfers from intangible assets in progress	-	34	(34)	-
Disposals	-	(1,042)	-	(1,042)
Balance at 31 December 2021	**10,132,347**	**193,401**	**1,909**	**10,327,657**

(All amounts are in THOUSAND RON, if not otherwise stated)

	Intangible assets related to concession agreements	Software and licenses	Intangible assets in progress	Total
Additions	611,294	7,694	140	619,128
Transfers from tangible assets in progress	-	2	(2)	-
Disposals	-	(1,006)	-	(1,006)
Balance at 31 December 2022	**10,743,641**	**200,091**	**2,047**	**10,945,779**
Accumulated amortization and impairment losses				
Balance at 1 January 2021	**4,176,775**	**182,833**	**-**	**4,359,608**
Amortization	441,015	4,536	-	445,551
Accumulated amortization of disposals	-	(1,042)	-	(1,042)
Balance at 31 December 2021	**4,617,790**	**186,327**	**-**	**4,804,117**
Amortization	449,987	3,960	-	453,947
Accumulated amortization of disposals	-	(1,005)	-	(1,005)
Balance at 31 December 2022	**5,067,777**	**189,282**	**-**	**5,257,059**
Net carrying amounts				
At 1 January 2021	**5,455,185**	**5,846**	**1,367**	**5,462,398**
At 31 December 2021	**5,514,557**	**7,074**	**1,909**	**5,523,540**
At 31 December 2022	**5,675,864**	**10,809**	**2,047**	**5,688,720**

The Group applies IFRIC 12 for the accounting of the transactions under these concession contracts. (See further details in Notes 4, 6(c) and 6(l)).

For the year ended 31 December 2022, the Group has recognized construction revenue related to the concession agreements of RON 611,294 thousand (2021: RON 500,387 thousand) and construction costs of RON 593,490 thousand (2021: RON 485,813 thousand).

The main information related to the current concession contracts agreements and the intangible assets amounts recognized for each network distribution area is summarized below:

Network distribution areas	Contract Date	Concession period (years)	Contract expiry date	Concession period remaining (years)	Renewal option	Net carrying amount at 31 December 2022	Net carrying amount at 31 December 2021
Muntenia Nord area	2005	49	2054	33	Yes	1,968,811	1,915,567
Transilvania Nord area	2005	49	2054	33	Yes	1,890,409	1,836,161
Transilvania Sud area	2005	49	2054	33	Yes	1,816,646	1,762,829
Total						**5,675,866**	**5,514,557**

The concession contracts can be prolonged for a period up to half of the initial established period of 49 years.

(All amounts are in THOUSAND RON, if not otherwise stated)

The investments in relation to the development and modernization of the infrastructure incurred in 2022 refers mainly to:

- Modernization of the current transformer points and stations, current underground and overhead power lines in amount of RON 139,487 thousand (2021: RON 164,465 thousand);
- Investments related to improvements for electricity distribution network in amount of RON 79,132 thousand (2021: RON 143,965 thousand).
- Significant construction works of new transformer stations, new underground and overhead power lines in amount of 2022: RON 148,404 thousand (2021: RON 97,449 thousand);
- Acquisition of own car fleet, including utilities vehicles and specialized vehicles in amount of RON 58,256 thousand; (2021: RON 63,009 thousand);
- Modernization and inclusion in SCADA (which is an automatic control system which monitors the equipment) of transformers points and stations, in amount of RON 164 thousand (2021: RON 2,430 thousand);

24 Investments in associates

On 28 July 2021 and on 7 December 2021, Electrica SA concluded four agreements for the sale-purchase of shares in four project companies having as main activity the production of electricity from renewable sources. The sale-purchase agreements concluded, mention the fact that in the first stage the Group acquires 30% of the share capital of the four companies, remaining that in the following stages, to acquire the remaining 70% of the share capital after the conditions provided in the sale-purchase agreements will be fulfilled. By the end of 31 December 2022, two of the project companies were acquired by 60% (please see note 32), therefore they are accounted as subsidiaries, the other ones are as follows:

- **Crucea Power Park SRL**, develops the wind project “Crucea Est”, with a projected installed capacity of 121 MW and a projected electricity storage capacity of 60 MWh (15 MW x 4h), located outside the Crucea area, Constanta County. The estimated purchase price for the “Crucea Est” wind project is 70 thousand EUR/MW for the aforementioned capacity, totalling the amount of 8,470 thousand EUR. On 28 July 2021, Electrica SA paid the amount of EUR 2,541 thousand representing 30% of the project value, respectively 30% of the shares of Crucea Power Park SRL.
- **Foton Power Energy SRL**, develops the photovoltaic project “Bihor 1”, with a projected capacity of 77.5 MW, located near Inand city, Bihor County. The estimated purchase price for the photovoltaic project “Bihor 1” is 55 thousand EUR/MW for the aforementioned capacity, totalling the amount of 4,262.5 thousand EUR. On 7 December 2021, Electrica SA paid the amount of EUR 1,279 thousand representing 30% of the project value, respectively 30% of the shares of Foton Power Energy SRL.

Considering the holding percentage of 30%, as at 31 December 2022, the 2 entities are accounted for using the equity method in these consolidated financial statements as provided in the Group’s accounting policies in note 6.

The cost of the investments at acquisition date, totalling the amount of RON 18,832 thousand, is detailed as follows:

	Crucea Power Park S.R.L.	Foton Power Energy S.R.L.
Acquisition date	**31.07.2021**	**31.12.2021**
Percentage ownership and voting rights at acquisition date	***30%***	***30%***
Net assets at acquisition date	(242)	(7)
Group’s share of net assets	**(73)**	**(2)**
Goodwill	**12,573**	**6,334**
Cost of investment at acquisition date	**12,500**	**6,332**

(All amounts are in THOUSAND RON, if not otherwise stated)

Summarised financial information in respect of each of the Group's associates is set out below:

	Crucea Power Park S.R.L.	Foton Power Energy S.R.L.
	31.12.2022	**31.12.2022**
Non-current assets	8,520	244
Current assets	1,142	35
Non-current liabilities	(9,886)	(296)
Current liabilities	(44)	(1)
Net assets	**(268)**	**(18)**
Reconciliation to carrying amounts:		
Opening net assets at acquisition date	**(246)**	**(7)**
Loss for the period	(22)	(11)
Closing net assets 31.12.2022	**(268)**	**(18)**
	Crucea Power Park S.R.L.	**Foton Power Energy S.R.L.**
Closing net assets of associates 31.12.2022	**(268)**	**(18)**
Group's share in associates %	*30%*	*30%*
Group's share of net assets as at 31.12.2022	**(80)**	**(5)**
Goodwill	12,573	6,334
Carrying amount of interest in associate 31.12.2022	**12,492**	**6,329**

The share loss in amount of RON 13 thousand for the period was recognized in the consolidated statement of profit and loss for the year ended as at 31 December 2022.

25 Financial assets related to concession arrangements

Based on the concession contracts (mentioned above) amendments, the additional cost of purchasing electricity for covering the own technological consumption of the distribution operators (actual costs with the purchase of electricity for own technological consumption ("CPT") coverage compared to the costs included in the regulated tariffs) are recognised as financial asset as part of the concession agreement. Such amounts are guaranteed by the concession agreement which is enforceable by law.The resulting financial assets is presented in the accompanying consolidated financial statements at fair value determined as the net present value of the additional costs with the acquisition of electricity incurred.

On 31 December 2022 the total amount of the additional costs with the acquisition of electricity incurred between 1 January 2022 and 31 December 2022 amounting to RON 951,557 thousand were recognized as a financial asset as stated in the addendum to the concession agreement concluded with the Ministry of Energy on 20 January 2023.

26 Capital and reserves

(a) Share capital and share premium

The issued share capital in nominal terms consists of 346,443,597 ordinary shares as at 31 December 2022 (31 December 2021: 346,443,597) with a nominal value of RON 10 per share. As of 4 July 2014, after the Initial Public Offering ("IPO"), the Company's shares are listed on the Bucharest Stock Exchange and the Global Depositary Receipts are listed on the London Stock Exchange.

The shares owned by the Company's shareholders that are traded on the London Stock Exchange are the global depositary receipts (GDRs). A global depositary receipt represents four shares. The Bank of New York Mellon is the depositary bank for these securities. The GDRs' weight in Electrica's total share capital diminished following the Initial Public Offering, reaching a level of 0.62% at the end of 2022 as compared to 10.17% at 4 July 2014.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share in the shareholders' meetings of the Company, except for the 6,890,593 treasury shares purchased by the Company in July 2014 in order to stabilize the price. All shares rank equally and confer equal rights to the net assets of the Company's, except for treasury shares.

(All amounts are in THOUSAND RON, if not otherwise stated)

The Company recognizes changes in share capital only after their approval in the General Shareholders Meeting and their registration by the Trade Register. The contributions made by the shareholders which are not yet registered with the Trade Register at year end are recognized as pre-paid capital contributions from shareholders.

The share premium resulted at IPO was RON 171,128 thousand. The transaction costs of RON 68,079 thousand were deducted from the share premium.

Following the SPO that took place in November 2019, the share capital of Electrica SA was increased by in kind and in cash contribution, with the amount of RON 5,037 thousand, from the amount of RON 3,459,399 thousand to the amount of RON 3,464,436 nuthousand, by issuing a number of 503,668 new nominative and dematerialized shares with a nominal value of 10 RON/share.

The costs generated by the secondary public offering were in amount of RON 964 thousand. Also, the Company recorded gains referring to share issue of RON 2,186 thousand, resulting from the difference between the contribution value of the plots of land and their value recorded as pre-paid capital contributions in kind from shareholders.

(b) Treasury shares reserve

In July 2014, the Company purchased 5,206,593 ordinary shares and 421,000 Global Depositary Receipts, equivalent to 1,684,000 shares (totalling 6,890,593 shares). The total amount paid for acquiring the shares and Global Depositary Receipts was RON 75,372 thousand.

(c) Revaluation reserve

The reconciliation between opening and closing balance of revaluation reserve is as follows:

	2022	2021
Balance at 1 January	**102,829**	**116,372**
Release of revaluation reserve to retained earnings corresponding to depreciation and disposals of property, plant and equipment	(10,712)	(13,543)
Balance as at 31 December	**92,117**	**102,829**

(d) Legal reserves

Legal reserves are set up as 5% of the gross profit for the year in the statutory individual financial statements of the companies within the Group, until the total legal reserves reach 20% of the paid-up nominal share capital of each company, according to the legislation. These reserves are deductible for income tax purposes and are not distributable.

	Legal reserves
Balance at 1 January 2021	**392,276**
Set-up of legal reserves	16,129
Balance at 31 December 2021	**408,405**
Set-up of legal reserves	21,178
Balance at 31 December 2022	**429,583**

(e) Dividends

Romanian companies may distribute dividends from statutory profits, according to the separate financial statements prepared in accordance with Romanian accounting regulations.

The dividends declared by the Company in 2022 and 2021 (from the statutory profits of previous years) are as follows:

	Distribution of dividends	
	2022	**2021**
To the owners of the Company	152,798	247,874
Total	**152,798**	**247,874**

(All amounts are in THOUSAND RON, if not otherwise stated)

On 20 April 2022 the General Shareholders Meeting of the Company approved dividend distribution of RON 152,798 thousand (2021: RON 247,874 thousand). The dividend per share distributed is RON 0.45 per share (2021: RON 0.73 per share). When calculating the dividend per share, the Company's repurchased own shares (6,890,593 shares) were not considered as outstanding shares and are deducted from the total number of issued ordinary shares.

Out of the dividends declared by the Company of RON 152,798 thousand (2021: RON 247,874 thousand), the dividends paid were of RON 152,447 thousand (2021: RON 247,258 thousand) the remaining difference represents dividends uncollected by the shareholders.

27 Trade payables

	31 December 2022	31 December 2021
Electricity suppliers	970,815	619,653
Capital expenditure suppliers	243,715	156,546
Other suppliers	192,567	115,136
Total	**1,407,097**	**891,335**

Electricity suppliers are mainly state-owned electricity producers, as detailed in Note 33, but also other participants to the electricity market.

Other suppliers include suppliers of services, materials, consumables, etc.

28 Other payables

	31 December 2022		31 December 2021	
	Current	**Non-current**	**Current**	**Non-current**
VAT payable	565,075	-	133,833	-
Liabilities towards the State	11,733	-	7,148	-
Other liabilities	290,728	72,432	130,282	32,732
Total	**867,536**	**72,432**	**271,263**	**32,732**

Other liabilities include mainly guarantees, sundry creditors, connection fees, habitat tax and cogeneration contribution. Other non-current liabilities refer to guarantees from customers related to electricity supply.

29 Provisions

	Tax related	Other	Total
Balance at 1 January 2022	**1,084**	**33,838**	**34,922**
Provisions recognized	-	40,800	40,800
Provisions utilised	-	(3,021)	(3,021)
Provisions reversed	-	(19,000)	(19,000)
Balance at 31 December 2022	**1,084**	**52,617**	**53,701**

As at 31 December 2022, provisions refer mainly to benefits upon the termination of executive directors' mandate contracts in the form of a non-compete clause amounting to RON 1,839 thousand (31 December 2021: RON 3,971 thousand) and for various claims and litigations involving the Group companies in amount of RON 51,862 thousand (31 December 2021: RON 30,951 thousand).

For the supply segment, during 2022 the Group set up a provision on the supply segment in amount of RON 3,880 thousand in relation to a claim with EDPR Romania SRL. Also, starting with July 2022, from the amendment of the Performance Standard 82/2021, the compensations are calculated daily or weekly and paid to the customers. Thus, for the provision recognized until 30 June 2022, was recorded a reversal in amount of RON 7,947 thousand and an additional provision of RON 6,900 thousand was set up for the period July-December 2022.

For the distribution segment, during 2022 was recorded a provision in amount of RON 24,345 thousand with ANCOM. Through the action formulated in file 7407/2/2020, ANCOM Decision 1177/13.11.2020 which established the pole rent rates for former SDEE MN, SDEE TN, SDEE TS (actual DEER) was challenged. Decision

1177/13.11.2020 was issued by ANCOM as a result of Telekom Romania's appeal, dissatisfied with the tariffs charged by former SDEE MN, SDEE TN and SDEE TS (actual DEER), based on the study approved at the Group level. In 2022, The Court of Appeal of Bucharest rejected the appeal filed by DEER through sentence 2509/2022, therefore, the Group recorded a provision in this regard, calculated as the difference between the rates in the contract and those in the ANCOM decision.

30 Bank borrowings and overdrafts

Drawings and repayments of borrowings during the year ended 31 December 2022 were as follows:

	Currency	Interest rate	Maturity year	Amount (RON thousand)
Balance at 1 January 2022				**628,489**
Drawings of borrowings during the period, out of which:				
EBRD	RON	Floating rate (1.15% + interbank rate + ROBOR spread)	2031	113,451
Eximbank Romania	RON	ROBOR 3M+1.65%	2024	4,110
Vista Bank	RON	ROBOR 3M+2.95%	2024	100,000
Total drawings				**217,561**
Accumulated interest				9,124
Payment of interest				28,957
out of which paid in 2021				(1,536)
Reimbursements, out of which:				**92,925**
BRD	RON	3,99%	2026	20,800
BRD	RON	3.85%	2028	11,432
BRD	RON	3,85%	2028	14,286
Banca Transilvania	RON	4.59%	2027	17,857
Unicredit Bank	RON	3.85%	2026	9,600
BCR	RON	ROBOR 3M+1%	2028	18,950
Balance at 31 December 2022				**760,713**

As at 31 December 2022, respectively 31 December 2021, the bank borrowings is as follows:

Lender	Borrower	Balance at 31 December 2022	Balance at 31 December 2021
Banca Transilvania	Distributie Energie Electrica Romania (fosta SDEE Transilvania Sud S.A.)	80,367	98,227
UniCredit Bank	Distributie Energie Electrica Romania (fosta SDEE Transilvania Nord S.A.)	38,793	48,498
BRD	Distributie Energie Electrica Romania (fosta SDEE Muntenia Nord S.A.)	83,200	104,000
BRD	Distributie Energie Electrica Romania (fosta SDEE Transilvania Nord S.A.)	78,571	92,857

(All amounts are in THOUSAND RON, if not otherwise stated)

Lender	Borrower	Balance at 31 December 2022	Balance at 31 December 2021
BRD	Distributie Energie Electrica Romania (fosta SDEE Transilvania Sud S.A.)	62,904	74,342
BCR	Distributie Energie Electrica Romania (fosta SDEE Muntenia Nord S.A.)	109,785	128,243
EBRD	Distributie Energie Electrica Romania	202,983	82,322
Eximbank Romania	Distributie Energie Electrica Romania	4,110	-
Vista Bank	Societatea Energetica Electrica S.A.	100,000	-
Total		**760,713**	**628,489**
Less: current portion of the long-term bank borrowings		(104,400)	(508,197)
Less: accumulated interest		(9,120)	(1,536)
Total long-term borrowings, net of current portion		**647,193**	**118,756**

Bank Borrowings description

a) *Investment loan granted by Banca Transilvania*

On 18 July 2019, Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., currently Distributie Energie Electrica Romania S.A., as a borrower, concluded with Banca Transilvania an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum loan amount: RON 125,000 thousand; Interest rate: fixed, 4.59% per annum; Reimbursements: quarterly instalments until 30.06.2027; Grace period: 12 months. As at 31 December 2022, the outstanding balance is of RON 80,367 thousand, of which RON 80,357 thousand principal and RON 10 thousand accrued interest. (Outstanding balance as at 31 December 2021: RON 98,227 thousand)

b) *Investment loan granted by Unicredit Bank*

On 13 November 2019, Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., currently Distributie Energie Electrica Romania S.A., as borrower, concluded with Unicredit Bank an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum loan amount: RON 60,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 13.11.2026; Grace period: 12 months. As at 31 December 2022, the outstanding balance is of RON 38,793 thousand, of which RON 38,400 thousand principal and RON 393 thousand accrued interest. (Outstanding balance as at 31 December 2021: RON 48,498 thousand)

c) *Investment loan granted by BRD – Groupe Societe Generale*

On 29 October 2019, Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., currently Distributie Energie Electrica Romania S.A., as borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum loan amount: RON 130,000 thousand; Interest rate: fixed, 3.99% per annum; Reimbursements: quarterly instalments until 28.10.2026; Grace period: 12 months. As at 31 December 2022, the outstanding balance is of RON 83,200 thousand. (Outstanding balance as at 31 December 2021: RON 104,000 thousand)

d) *Investment loan granted by BRD – Groupe Societe Generale*

On 25 June 2020, Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., currently Distributie Energie Electrica Romania S.A., as a borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: RON 100,000 thousand; Interest rate: fixed, 3.85% per annum;

Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 31 December 2022, the outstanding balance is of RON 78,571 thousand. (Outstanding balance as at 31 December 2021: RON 92,857 thousand)

e) Investment loan granted by BRD – Groupe Societe Generale

On 25 June 2020, Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., currently Distributie Energie Electrica Romania S.A. as a borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: RON 80,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 31 December 2022, the outstanding balance is RON 62,904 thousand, of which RON 62,857 thousand principal and RON 47 thousand accrued interest. (Outstanding balance as at 31 December 2021: RON 74,342 thousand)

f) Investment loan granted by Banca Comerciala Romana ("BCR")

On 17 September 2020, Societatea de Distributie a Energiei Electrica Muntenia Nord S.A., currently Distributie Energie Electrica Romania S.A., as a borrower and Electrica SA as a guarantor, concluded with Banca Comerciala Romana S.A. an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: Ron 155,000 thousand; Interest rate: ROBOR 3M+1% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 31 December 2022, the outstanding balance is RON 109,785 thousand, of which RON 108,961 thousand principal and RON 824 thousand accrued interest. (Outstanding balance as at 31 December 2021: RON 128,243 thousand)

g) Investment loan granted by the European Bank for Reconstruction and Development ("BERD")

On 2 July 2021, Societatea de Distributie Energie Electrica Romania SA, as a borrower, concluded with the European Bank for Reconstruction and Development a credit agreement for investments in order to finance investments in the electricity distribution network according to the 2021-2023 investment plan. The main provisions are: The maximum value of the loan RON 195,136 thousand; Interest rate: agreed individually for each tranche drawn; Repayments: 17 half-yearly instalments until 31.07.2031; Grace period: 24 months. As at 31 December 2022, the outstanding balance is RON 202,983 thousand, of which RON 195,136 thousand principal and RON 7,847 thousand accrued interest. The loan agreement is guaranteed by Electrica SA.

h) Investment loan granted by the European Investment Bank ("BEI")

On 14 July 2021, Societatea de Distributie Energie Electrica Romania SA, as a borrower, concluded with the European Investment Bank an investment credit contract for the purpose of financing investments in the electricity distribution network according to the 2021-2023 investment plan. The main provisions are: Maximum value of the loan: EUR 120,000 thousand; Interest rate and Repayments will be agreed individually for each tranche drawn. On 31 December 2022, the outstanding balance is Nil as no withdraw was made from the loan. The loan agreement is guaranteed by Electrica SA.

i) Loan for financing current activity granted by Eximbank Romania

On 22 December 2022, Distributie Energie Electrica Romania S.A., as a borrower, concluded with Eximbank Romania a credit agreement for a period of 24 months. The main provisions are: Maximum loan amount: 250,000 thousand RON; Interest rate: ROBOR 3M +1.65 % p.a.; Repayments: 6 equal quarterly instalments; Grace period: 6 months. On 31 December 2022, the outstanding balance is RON 4,110 thousand. The loan benefits from a guarantee in the name and account of the state and is guaranteed by Electrica SA.

j) Line of Credit for working capital and for issuing Bank Guarantee Letters granted by Vista Bank

On 30 December 2022, Societatea Energetica Electrica S.A., as the borrower, concluded a contract for a line of credit for working capital and for the issuance of Bank Guarantee Letters granted by Vista Bank for a period of 18 months. The main provisions are: Maximum credit amount: 100,000 thousand RON; Interest rate:

(All amounts are in THOUSAND RON, if not otherwise stated)

ROBOR 3M +2.95 % p.a.; full refund at maturity. On 31 December 2022, the balance of the loan is 100,000 thousand RON.

Overdrafts

Until the authorization for issue of these Consolidated Financial Statements by the Board of Directors, the Group has overdrafts from various banks (ING Bank N.V., Raiffeisen Bank, Banca Comerciala Romana, Banca Transilvania, BNP Paribas, Intesa Sanpaolo Bank, BRD – Groupe Societe Generale S.A., Alpha Bank and UniCredit) with a total overdraft limit of up to RON 2,743,542 thousand at 31 december 2022 (Total overdraft limit as at 31 december 2021: RON 1,830,000 thousand).

The overdraft facilities are used for financing activities. The outstanding balance of the overdraft facilities as at 31 December 2022 is of RON 2,571,037 thousand (31 December 2021: RON 627,402 thousand).

Lender (overdrafts)	Borrower	Balance at 31 December 2022	Balance at 31 December 2021
ING Bank N.V	Societatea Energetica Electrica S.A.	209,138	120,691
Alpha Bank	Electrica Furnizare S.A.	147,497	-
BCR	Electrica Furnizare S.A.	227,311	16,125
BRD	Electrica Furnizare S.A.	216,570	-
Banca Transilvania	Electrica Furnizare S.A.	185,528	-
ING Bank N.V	Electrica Furnizare S.A.	169,600	-
Raiffeisen Bank	Electrica Furnizare S.A.	343,001	282,477
UniCredit Bank	Electrica Furnizare S.A.	300,294	-
BCR	Distributie Energie Electrica Romania S.A	208,412	-
Banca Transilvania	Distributie Energie Electrica Romania S.A	158,965	109,748
ING Bank N.V	Distributie Energie Electrica Romania S.A	49,855	-
Intesa San Paolo	Distributie Energie Electrica Romania S.A	135,096	98,361
Raiffeisen Bank	Distributie Energie Electrica Romania S.A	219,770	-
Total overdrafts		**2,571,037**	**627,402**

Financial Covenants

The financial covenants specified in the agreements with BRD – Groupe Societe Generale, Unicredit Bank, Comerciala Romana, European Bank for Reconstruction and Development and European Investment Bank have been fulfilled as at 31 December 2022.

Pledged assets

On 31 December 2022, for several overdrafts the Group has pledges (guarantees) for trade receivables amounts, as specified on contracts.

Bank Guarantees

The maximum limit of the facility for issuing bank guarantees (credit facility for issuing guarantee instruments and multi-product lines) RON 2,502,000 thousand, of which non-cash uses RON 1,045,153 thousand.

31 Financial instruments - fair values and risk management

(a) Accounting classifications and fair values

According to IFRS 9, financial assets are measured at amortised cost as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The Group assessed that the carrying amount is a reasonable approximation of the fair value for the financial assets and financial liabilities.

(All amounts are in THOUSAND RON, if not otherwise stated)

(b) Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk;
- market risk.

These risks are further explained and detailed.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents, restricted cash and bank deposits.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In the past, the Group had a high credit risk mainly from State-owned companies.

Cash and bank deposits are placed in financial institutions which are considered to have low risk of default.

The carrying amount of financial assets represents the maximum credit exposure.

Trade receivables

The Group's credit risk in respect of receivables was concentrated in the past around state-controlled companies and in the recent years refers to clients that are facing financial difficulties in their industries due to specific changes in circumstances in their industry sector. The Group has implemented a policy on credit risk management and is also considering securing trade receivables. Also, the electricity supply contracts include termination clauses in certain circumstances.

The Group establishes an allowance for impairment that represents the amount of expected credit losses, calculated based on the expected loss rates.

Impairment

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables for customers as at 31 December 2022:

	31 December 2022				
	Expected credit loss rates ("ECL")	**Gross value**	**Lifetime ECL**	**Net trade receivables**	**Credit impaired**
Neither past due nor impaired	3%	1,951,656	(60,310)	1,891,346	No
Past due 1-30 days	4%	490,985	(19,342)	471,643	No
Past due 31-60 days	16%	66,365	(10,488)	55,877	No
Past due 61-90 days	35%	27,259	(9,671)	17,588	No
Past due more than 90 days	95%	582,426	(552,878)	29,548	Yes
Total		**3,118,691**	**(652,689)**	**2,466,002**	

The Group performed a sensitivity analysis and a 5% increase in the expected credit loss rates would not lead a material impact on the results of the Group.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables for customers as at 31 December 2021:

	31 December 2021				
	Expected credit loss rates ("ECL")	**Gross value**	**Lifetime ECL**	**Net trade receivables**	**Credit impaired**
Neither past due nor impaired	2%	1,080,179	(16,615)	1,063,564	No

(All amounts are in THOUSAND RON, if not otherwise stated)

	31 December 2021				
Past due 1-30 days	5%	228,537	(10,598)	217,939	No
Past due 31-60 days	15%	36,646	(5,317)	31,329	No
Past due 61-90 days	38%	15,428	(5,930)	9,498	No
Past due more than 90 days	98%	964,687	(942,398)	22,289	Yes
Total		**2,325,477**	**(980,858)**	**1,344,619**	

Details of the main movements in the allowances for doubtful debts are disclosed in Note 18.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Group also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables. In addition, the Group maintains overdrafts (refer to Note 30).

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

	Carrying amount	Contractual cash flows				
Financial liabilities		**Total**	**less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
31 December 2022						
Bank overdrafts	2,571,037	2,571,037	2,571,037	-	-	-
Lease liability	53,673	53,673	19,211	10,795	10,645	13,022
Long term bank borrowings	760,713	760,713	113,520	354,471	200,505	92,217
Trade payables	1,407,097	1,407,097	1,407,097	-	-	-
Financial assets related to concession agreements	951,557	951,557	190,311	190,311	570,934	-
Total	**5,744,077**	**5,744,077**	**4,301,176**	**555,577**	**782,084**	**105,239**
31 December 2021						
Bank overdrafts	627,402	627,402	627,402	-	-	-
Lease liability	21,544	21,544	9,442	4,874	5,071	2,157
Long-term bank borrowings	628,489	628,489	509,733	27,455	82,372	8,929
Trade payables	891,335	891,335	891,335	-	-	-
Total	**2,168,770**	**2,168,770**	**2,037,912**	**32,329**	**87,443**	**11,086**

(iii) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its financial instruments held. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency of the Group. The functional currency of all entities belonging to the Group is the Romanian Leu (RON).

The currency in which these transactions are primarily denominated is RON. Certain liabilities are denominated in foreign currency (EUR). The Group also has deposits and bank accounts denominated in foreign currency (EUR). The Group's policy is to use the local currency in its transactions as far as practically possible. The Group does not use derivative or hedging instruments.

Exposure to currency risk

The summary of quantitative data about the Group's exposure to currency risk is as follows:

	31 December 2022	31 December 2021
in thousands of RON	denominated in EUR	denominated in EUR
Cash and cash equivalents	277	812
Lease liability	(21,004)	(19,118)
Net statement of financial position exposure	**(20,727)**	**(18,306)**

The following significant exchange rates have been applied during the year:

	Average rate		Year-end spot rate	
RON	**2022**	**2021**	**2022**	**2021**
EUR 1	4.9315	4.9204	4.9474	4.9481

Sensitivity analysis

A reasonably possible strengthening (weakening) of the EUR against RON at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Profit before tax	
Effect	**Strengthening**	**Weakening**
31 December 2022		
EUR (5% movement)	(1,036)	1,036
31 December 2021		
EUR (5% movement)	(915)	915

Interest rate risk

For financing purposes, the Group uses both medium and long-term bank loans and short term loans in the form of overdraft facilities (please see Notes 20, 30).

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings (please see Notes 20, 30), as the long term borrowings are contracted mainly at fixed rates, while the overdraft facilities bear variable rates. The Group does not have in place hedging contracts for interest rate.

The Groups exposures to interest rates on financial assets and financial liabilities are detailed below. The Group is exposed to the interest rate benchmark ROBOR, which is the interest rate on the Romanian interbank market.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	31 December 2022	31 December 2021
Fixed-rate instruments		
Financial assets		
Call deposits	193,219	53,897
Financial assets	951,557	-
Financial liabilities		

(All amounts are in THOUSAND RON, if not otherwise stated)

	31 December 2022	31 December 2021
Long-term bank borrowings	(651,752)	(418,893)
Lease liability	(37,378)	(8,276)
	455,646	**(373,272)**
Variable-rate instruments		
Financial liabilities		
Lease liability	(16,295)	(13,268)
Long-term bank borrowings	(108,961)	(209,596)
Bank overdrafts	(2,571,037)	(627,402)
	(2,696,293)	**(850,266)**

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit before tax	
	50 bp increase	**50 bp decrease**
31 December 2022		
Variable-rate instruments	(13,481)	13,481
31 December 2021		
Variable-rate instruments	(4,251)	4,251

32 Acquisition of subsidiaries

On 6 September 2022, Electrica acquired 75% of Green Energy Consultancy & Investments S.R.L. shares granting control of the entity.

On 21 March 2022 the Group acquired an additional 30% of the shares and voting interests in Sunwind Energy S.R.L.. As a result, the Group's equity interest increased from 30% to 60%, gaining control of Sunwind Energy S.R.L..

On 27 May 2022 the Group acquired an additional 30% of the shares and voting interests in New Trend Energy S.R.L.. As a result, the Group's equity interest increased from 30% to 60%, gaining control of New Trend Energy S.R.L..

The Group has concluded that the new purchased subsidiaries represent a business combination.

Taking control of both New Trend Energy S.R.L. and Sunwind Energy S.R.L. will enable the Group to develop a portfolio of electricity generation capacities from renewable sources.

A. Consideration transferred

The Consideration transferred for the shares acquired was as follows:

	Green Energy Consultancy & Investments S.R.L. (31 August 2022)	New Trend Energy S.R.L. (31 May 2022)	Sunwind Energy S.R.L. (31 March 2022)	Total
Cash	1,446	802	2,204	**4,452**
Fair value of pre-existing interest	-	4,786	2,190	**6,976**
Consideration transferred	**1,446**	**5,588**	**4,394**	**11,428**

(All amounts are in THOUSAND RON, if not otherwise stated)

B. Acquisition-related costs

The Group incurred acquisition-related costs of RON 100 thousand relating to external legal fees and due diligence costs. These costs have been included in "Other operating expenses" in the condensed consolidated statement of profit or loss.

C. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Green Energy Consultancy & Investments S.R.L. (31 August 2022)	New Trend Energy S.R.L. (31 May 2022)	Sunwind Energy S.R.L. (31 March 2022)	Total
Property, plant and equipment	239	273	163	**675**
Right of use assets	-	6,095	2,862	**8,957**
Trade and other receivables	-	46	20	**66**
Cash and Cash equivalents	1	7	-	**8**
Total assets	**240**	**6,421**	**3,045**	**9,706**
Trade and other payables	(196)	(1)	(1)	(198)
Finance lease liability	-	(6,764)	(3,184)	(9,948)
Other non-current liabilities	-	(332)	(191)	(523)
Other payables	(47)	(8)	-	(55)
Total liabilities	**(243)**	**(7,105)**	**(3,376)**	**(10,724)**
Net assets	**(3)**	**(684)**	**(331)**	**(1,018)**

D. Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Green Energy Consultancy & Investments S.R.L. (31 August 2022)	New Trend Energy S.R.L. (31 May 2022)	Sunwind Energy S.R.L. (31 March 2022)	Total
Consideration transferred	1,446	5,588	4,394	**11,428**
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities	(1)	(274)	(132)	**(407)**
Fair value of identifiable net assets	3	684	331	**1,018**
Goodwill	**1,448**	**5,998**	**4,593**	**12,039**

The goodwill is attributable mainly to the know-how of the projects and the synergies expected to be achieved from integrating the companies into the Group's existing business. The management has concluded by assessing internal and external sources, that there is no indication that the goodwill may be impaired. None of the goodwill recognized is expected to be deductible for tax purposes.

(All amounts are in THOUSAND RON, if not otherwise stated)

33 Related parties

(a) Main shareholders

As at 31 December 2022 and 31 December 2021, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy with a share of ownership of 48.79% from the share capital.

(a) Management and administrators' compensation

	2022	2021
Executive Management compensation	34,726	34,429

Executive management compensation refers to both the managers with mandate contract and those with labour contract, from both the subsidiaries and Electrica SA. This also includes the benefits in the event of the termination of mandate contracts for executive directors.

Compensations granted to the members of the Board of Directors were as follows:

	2022	2021
Members of Board of Directors	3,063	3,992

Electrica SA's Board of Directors comprises 7 members. According to the remuneration policy approved by the General Meeting of Shareholders that took place on 20 April 2022, the annual number of paid sessions is limited to twelve for Board of Directors meetings and to six for each of the committees. Additional committee meetings can be organized only in exceptional situations, upon the Chairs' committee decision, who are responsible to efficiently organize the agenda and activity. However, only one such additional meeting shall be remunerated, for each committee.

No loans were granted to directors or administrators in 2022 and 2021.

(c) Transactions with companies in which the state has control or significant influence

The Group has transactions with companies in which the State has control or significant influence in the ordinary course of business, related mainly to the acquisition of electricity, transport and system services and sale of electricity. Significant purchases and balances are mainly with energy producers/suppliers, as follows:

	Purchases (without VAT)		Balance (including VAT)	
Supplier	**2022**	**2021**	**31 December 2022**	**31 December 2021**
OPCOM	2,727,101	1,700,630	23,981	29,203
Transelectrica	968,470	756,925	185,856	155,931
Nuclearelectrica	866,763	512,915	93,013	43,343
Hidroelectrica	581,598	241,722	42,493	19,711
Complexul Energetic Oltenia	478,813	396,072	45,257	31,502
OMV Petrom SA	261,123	-	26,349	-
SNGN Romgaz SA	197,490	10,727	7,445	3,305
Electrocentrale Bucuresti	191,862	34,776	-	-
ANRE	10,458	10,320	14	132
Transgaz	8,029	8,958	986	1,226
Others	7,768	7,889	1,168	1,332
Total	**6,299,475**	**3,680,934**	**426,562**	**285,685**

The Group also makes sales to companies in which the State has control or significant influence representing supply of electricity, of which the most important transactions are the following:

	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
Client	**2022**		**31 December 2022**	
OPCOM	326,640	22,630	-	22,630
Transelectrica	314,253	112,754	-	112,754

(All amounts are in THOUSAND RON, if not otherwise stated)

	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
Client	**2022**		**31 December 2022**	
SNGN Romgaz SA	86,353	2,253	9	2,245
Hidroelectrica	68,716	16,429	-	16,429
CN Romarm	17,386	648	0	648
CFR Electrificare	10,332	2,089	-	2,089
Transgaz	11,580	764	0	764
CN Remin SA	704	71,279	71,148	132
C.N.C.A.F MINVEST SA	-	26,802	26,802	-
Oltchim	-	115,943	115,943	-
CET Braila	5	3,365	3,361	3
Termoelectrica	0	1,206	1,206	-
Others	127,686	11,277	522	10,754
Total	**963,655**	**387,439**	**218,991**	**168,448**

	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
Client	**2021**		**31 December 2021**	
OPCOM	162,855	28,468	-	28,468
Transelectrica	92,505	27,091	-	27,091
SNGN Romgaz SA	48,099	1,664	-	1,664
Hidroelectrica	19,622	2,638	-	2,638
CN Romarm	14,156	1,093	-	1,093
CFR Electrificare	10,410	507	-	507
C.N.C.F CFR SA	8,281	701	(1)	700
CNAIR	6,928	962	-	962
Municipiul Galati	4,568	12	(12)	-
Transgaz	2,249	1,571	-	1,571
CN Remin SA	700	71,216	(71,216)	-
C.N.C.A.F MINVEST SA	-	26,802	(26,802)	-
Oltchim	-	536,156	(536,156)	-
CET Braila	9	3,361	(3,361)	-
Termoelectrica	-	1,206	(1,206)	-
National Agency for Payments and Social Inspection	-	59,271	-	59,271
Ministry of Energy	-	11,420	-	11,420
Others	32,956	2,204	(536)	1,668
Total	**403,338**	**776,343**	**(639,290)**	**137,053**

34 Contingencies

Contingent liabilities

Fiscal environment

Tax audits are frequent in Romania, consisting of detailed verifications of the accounting records of taxpayers. Such audits sometimes take place after months, even years, from the date liabilities are established. Consequently, companies may be found liable for significant taxes and fines. Moreover, tax legislation is subject to frequent changes and the authorities demonstrate inconsistency in interpretation of the law.

Income tax returns may be subject to revision and corrections by tax authorities, generally for a five-year period after they are completed.

The Group may incur expenses related to previous years' tax adjustments as a result of controls and litigations with tax authorities. The management of the Group believes that adequate provisions were recorded in the consolidated financial statements for all significant tax obligations; however a risk persists that the tax authorities might have different positions.

(All amounts are in THOUSAND RON, if not otherwise stated)

Tax inspection report for SDEE Muntenia Nord S.A.

The subsidiary SDEE Muntenia Nord S.A. was subject to a tax audit performed by the Local Taxes Department of Galati City Hall that referred to the building taxes paid for the period 2012-2016. The tax audit was finalized in December 2019, when the fiscal inspection report was communicated to the subsidiary. The fiscal report established additional payment obligations for the subsidiary representing building tax for the period 01.01.2012-31.12.2015 in the total amount of RON 24,831 thousand, of which principal in amount of RON 12,051 thousand and related late penalties computed as of October 2019, in amount of RON 12,780 thousand. The amount of late charges was recalculated to RON 13,021 thousand between the tax inspection report date and principal debt payment date. Litigious actions were started in order to challenge the tax inspection report.

The Group recognised an expense in amount of RON 12,051 thousand during the year ended 31 December 2019 in accordance with IFRIC 23 *„Uncertainty over Income Tax Treatments”*. At the same time, for the late penalties in the amount of RON 13,021 thousand, a letter of bank guarantee was established in the amount of RON 13,021 thousand valid until 10 August 2023, in order to mitigate the associated risks.

Other litigations and claims

The Group is involved in a series of litigations and claims (ie. with ANRE, NAFA, Court of Accounts, claims for damages, claims over land titles, labour related litigations etc.).

As summarised in Note 29, the Group set-up provisions for the litigations or claims for which the management assessed as probable the outflow of resources embodying economic benefits due to low chances of favourable outcomes of those litigations or disputes. The Group does not present information in the financial statements and did not set-up provisions for items for which the management assessed as remote the possibility of outflow of economic benefits.

The Group discloses if the case information on the most significant items of litigations or claims for which the Group did not set-up provisions as they relate to possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group (ie. litigations for which different inconsistent sentences were issued by the Courts, or litigations which are in early stages and no preliminary ruling was issued so far).

35 Commitments

(a) Contractual commitments

Contractual commitments as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Purchase of electricity	802,252	3,200,154
Purchase of green certificates	129,246	132,937
Purchase of property, plant and equipment and intangible assets	446,937	212,930
Purchase of investments	289,636	60,485
Total	**1,668,071**	**3,606,506**

(b) Investment program

The investment program at Group level approved for the year 2023 is as follows:

	2023
Distribution activity	848,800
Supply activity	61,200
Maintenance activity	10,500
Production activity	343,000
Other/ shared	33,500
Total	**1,297,000**

(All amounts are in THOUSAND RON, if not otherwise stated)

The capital expenditures actually incurred may differ from the ones planned.

(c) Guarantees and pledges

At 31 December 2022 and 31 December 2021, the Group has guarantees on its bank accounts opened at ING Bank N.V., Raiffeisen Bank, Banca Comerciala Romana, Banca Transilvania and Intesa Sanpaolo Bank for the overdrafts contracted (please see Note 30), and also on its bank accounts opened at BRD – Group Societe Generale, Unicredit Bank, Banca Transilvania and Banca Comerciala Romana for the long-term borrowings contracted (please see Note 30).

At 31 December 2022, the Group has outstanding bank letters of guarantee of RON 952,008 thousand (31 December 2021: RON 1,088,629 thousand) issued in favour of its suppliers.

(d) Audit fees

The audit fees for the consolidated financial statements were in amount of 957 thousand RON, and during the year 2022, non-audit services fees were in amount of 377 thousand RON (limited review of the interim consolidated financial statements, verification of the degree of fulfilment of the financial indicators stipulated in the contract, analysis and verification of transactions reported according to art. 923 para. 5 of Law no. 24/2017).

36 Subsequent events

Vulturu project

The project company Green Energy Consultancy & Investments S.R.L, having as main object of activity the production of energy from photovoltaic sources, was acquired 100% on 6 February 2023, until 31 December 2022 was acquired 75% (please see note 1). Green Energy Consultancy & Investments S.R.L. develops the photovoltaic project "Vulturu", with a designed installed capacity of 12 MWp DC (peak power at the panels level) and 9.75 MW AC (authorised power for delivery into the grid), located near Vulturu locality, Vrancea county. The project is in the "ready-to-build" phase.

Concession agreements amendments

On 20 January 2023, the Ministry of Energy as concedent amended the concession agreement with the Group for the distribution segment to reflect that in case of early termination of the concession agreement, for any reasons, the cocessionaire would reimburse to the Group the value of actual costs with the purchase of electricity for own technological consumption compared to the costs included in the regulated tariffs.

The amendments to the concession agreements have been agreed with the Ministry of Energy before 31 December 2022, however the addendums were issued on 20 January 2023 and they have mentions in preambul about the communications from 2022. The management considers that all facts and circumstances were available as of 31 December 2022, therefore Group accounted for these amendments as a subsequent adjusting event for the year ended 31 December 2022 and recognised a financial asset, which is further detailed in Note 25.

Chief Executive Officer	**Chief Financial Officer**
Alexandru – Aurelian Chirita	Stefan Alexandru Frangulea

24 March 2023

Independent Auditor's Report on the 2022 Consolidated Financial Statements (IFRS-EU)

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
Societatea Energetica Electrica S.A.

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

1. We have audited the consolidated financial statements of Societatea Energetica Electrica S.A. and its subsidiaries (the Group), with registered office in Bucharest, District 1, Street Grigore Alexandrescu, No. 9, identified by unique tax registration code 13267221, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and notes to the consolidated financial statements.

2. The financial statements as at December 31, 2022 are identified as follows:

• Net assets / Equity	RON	5,367,246 thousand
• Net profit for the financial year	RON	558,845 thousand

3. In our opinion, except for the possible effects of the matter described in the "*Basis for Qualified Opinion*" section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS").

Basis for Qualified Opinion

4. As explained in Note 25, the Group has recorded a financial asset related to the concession agreement of RON 951,557 thousand related to the additional cost of purchasing electricity for covering the own technological consumption of the distribution operators. We were unable to obtain sufficient evidence to support the recognition of the amounts recorded as financial assets related to the concession agreement in the consolidated statement of financial position as of December 31, 2022 and the elements making up the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows.

5. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named "the Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

6. We draw attention to Note 2 of the consolidated financial statements, which describes that starting with 2022 the Group prepares two sets of consolidated financial statements, one under statutory regulations, namely Ministry of Finance Order 2844/2016 with subsequent amendments and one under International Financial Reporting Standards as adopted by the European Union ("IFRS"). These consolidated financial statements are prepared under International Financial Reporting Standards as adopted by the European Union ("IFRS"), which differs from Ministry of Finance Order 2844/2016 with subsequent amendments, as summarized in Note 2. Consequently these consolidated financial statements do not comply with Ministry of Finance Order 2844/2016 with subsequent amendments. Our audit report is not modified in respect of this matter.

Key Audit Matters

7. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matters	How our audit addressed the key audit matter
Going Concern As presented in Note 6 the consolidated financial statements have been prepared on the going concern basis. The key judgement leading to this conclusion are set out in that note. In particular the Group operates in the electricity distribution and supply industry which is currently affected by the capping laws on sales to end customers. The Romanian authorities regulatory position is under review and there may be further laws enacted which could adversely impact the Group's operating cash flows. In the forthcoming twelve months the Group will need to obtain additional financing and given the position of the Group and its significance to the Romanian economy management expects that all necessary financing will be made available. The ability of the Group to continue as a going concern is dependent on the successful extension of the existing debt facilities, drawdown of new financing and on stabilizing of the regulatory regime on energy prices as described in note 6 which provides an appropriate margin to support servicing of the Group's short and long term financings. In view of the significant judgements, the application and disclosures of the basis of the going concern assumption are considered a Key Audit Matter.	We have assessed managements valuation of the going concern assumption by performing the following procedures: • We have obtained the cash flow forecasts and critically challenged the management and the Board of Directors and Audit Committee on the assumptions used; • We considered whether at the date of this report additional information exist from the Romanian authorities with respect to the capping mechanism; • We have assessed the Group's position on the existing debt facilities, covenant compliance and newly negotiated debt facilities, during 2023 until the date of this report; • We considered the Group's requirements to secure additional financing in light of its position in the Romanian market; • We assessed the adequacy of the disclosure of the basis of going concern assumption, including the key judgements adopted;
Valuation of Retail accrued revenue, related to electricity supplied to households The Group recognizes at the end of each reporting period accrued revenue from the energy supply activity, related to the household population. If the actual meter readings are not available at the end of the reporting period, energy supplied to households is estimated based on internal information related to historical patterns of consumption. The degree of estimation uncertainty reduces from one period to another, however judgement is inherent in the valuation of the accrued revenue related to the household population. Because of the significance of the estimations around the accrued revenue related to the households and the inability of relying on the effectiveness of the controls, we consider the valuation of retail accrued revenue, related to households a key audit matter.	The group has a number of IT systems across the businesses and we were not able to rely on the effectiveness of IT controls within the revenue cycle. The audit procedures adopted were substantive in nature and included the following: • Obtaining an understanding of the accounting policies used in the preparation of the consolidated financial statements, with respect to revenue recognition; • Testing the reconciliation made by the Group between the quantity of electricity purchased for supply purposes and the quantity of electricity delivered from the supply activity; • Testing the acquired electricity for supply purposes through a combination of direct confirmations received from the electricity producers and other supporting documents; • Testing the revenues related to electricity supplied to customers on the free market through a combination of direct confirmations and other supporting documents; • Testing the revenues related to electricity supplied to all customers on the universal service by means of independent re-computation of the revenues, using the tariffs published for 2022; and • Performing analytical procedures on all electricity sales.

Other information – Administrator's Report

8. The administrators are responsible for preparation and presentation of the other information. The other information comprises the Administrator's report and the Remuneration Report, but does not include the consolidated financial statements and our auditor's report thereon.

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Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements for the year ended December 31, 2022, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrator's report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments.

With respect to the Remuneration report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, articles. no. 106 – 107.

On the sole basis of the procedures performed within the audit of the consolidated financial statements, in our opinion:

a) the information included in the administrators' report and the Remuneration report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with these consolidated financial statements;

b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments;

c) the Remuneration report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, articles. no. 106 – 107.

Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit of the consolidated financial statements prepared as at December 31, 2022, we are required to report if we have identified a material misstatement of this Administrator's report and remuneration report. Except for the possible effects of the aspects presented in the "*Basis for Qualified Opinion*" section of our report, we have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

9. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

10. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

11. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

12. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

13. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

14. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

15. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

16. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

17. We have been appointed by the General Assembly of Shareholders April 28, 2021 to audit the consolidated financial statements of Societatea Energetica Electrica S.A. for the financial year ended December 31, 2022. The uninterrupted total duration of our commitment is 5 years, covering the financial years ended December 31, 2018 to December 31, 2022.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.

- No non-audit services referred to in Article 5 (1) of EU Regulation No. 537/2014 were provided.

The engagement statutory auditor on the audit resulting in this independent auditor's report is Răzvan Ungureanu.

Report on compliance with the Commission Delegated Regulation (EU) 2018/815 ("European Single Electronic Format Regulatory Technical Standard" or "ESEF")

We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2019/815 applicable to the financial statements included in the annual financial report of SOCIETATEA ENERGETICA ELECTRICA S.A. ("the Company") in the digital files 213800P4SUNUM5AUDX61 ("Digital files").

Responsibilities of Management and Those Charged with governance for the Digital Files prepared in compliance with the ESEF

Management is responsible for preparing Digital Files that comply with the ESEF. This responsibility includes:

- the design, implementation and maintenance of internal control relevant to the application of the ESEF;
- the selection and application of appropriate iXBRL mark ups;
- ensuring consistency between the digital files and the consolidated financial statements to be submitted in accordance with International Financial Reporting Standards as adopted by EU and also with the consolidated financial statements submitted in accordance with Ministry of Finance Order 2844/2016 with subsequent amendments;

Those charged with governance are responsible for overseeing the preparation of the Digital Files that comply with ESEF.

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Auditor's Responsibilities for Audit of the Digital Files

Our responsibility is to express a conclusion on whether the consolidated financial statements included in the annual financial report complies in all material respects with the requirements of ESEF based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing and extend of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the Company's process for preparation of the digital files in accordance with ESEF, including relevant internal controls;
- reconciling the digital files including the marked up data with the audited consolidated financial statements of the Company to be submitted in accordance with International Financial Reporting Standards as adopted by EU and also with the consolidated financial statements submitted in accordance with Ministry of Finance Order 2844/2016 with subsequent amendments;
- evaluating if all financial statements contained in the consolidated annual report have been prepared in a valid XHTML format;
- evaluating if iXbrl mark-ups, including the voluntary mark-ups comply with the requirements of ESEF.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the consolidated financial statements for the year ended 31 December 2022 included in the annual financial report in the Digital Files, comply in all materials respects with the requirements of ESEF.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the consolidated financial statements. Our audit opinion relating to the consolidated financial statements of the Group for the year ended 31 December 2022 is set out in the section Report on the audit of the consolidated financial statements above.

Răzvan Ungureanu, Statutory Auditor

For signature, please refer to the original signed Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under AF 4866

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under FA 25

The Mark Building, 84-98 and 100-102 Calea Griviței, 9th Floor, District 1
Bucharest, Romania
March 27, 2023

Statement of the Management

Statement of the Management

Based on the best available information, we confirm that the consolidated financial statements reviewed and audited for the period ended 31 December 2022 prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU"), provides an accurate and real image regarding the Electrica Group's financial position, the financial performance and the cash flows, as required by the applicable accounting standards, and that this Report, prepared in accordance with art. 63 of the law no. 24/2017 on issuers of financial instruments and market operations and to annex no. 15 to ASF Regulation no. 5/2018 for the period ended 31 December 2022, comprises accurate and real information regarding the Group's development and performance.

Based on the best available information, we confirm that the consolidated financial statements reviewed and audited for the period ended 31 December 2022 prepared in accordance with OMFP 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards adopted by the European Union with subsequent changes, provides an accurate and real image regarding the Electrica Group's financial position, the financial performance and the cash flows, as required by the applicable accounting standards, and that this Report, prepared in accordance with art. 63 of the law no. 24/2017 on issuers of financial instruments and market operations and to annex no. 15 to ASF Regulation no. 5/2018 for the period ended 31 December 2022, comprises accurate and real information regarding the Group's development and performance.

Chair of the Board of Directors,

Iulian Cristian BOSOANCA

Chief Executive Officer,

Alexandru-Aurelian CHIRITA

Chief Financial Officer,

Stefan Alexandru FRANGULEA

More information about the Electrica Group
can be found online at **www.electrica.ro**

Annexes

in compliance with Annex 15 of Romanian FSA Regulation no. 5/2018

- The Articles of Association of the Electrica SA updated following the decision of the Extraordinary General Meeting of Shareholders of 12 October 2022;
- Current report dated 18 April 2022 (BSE: IRIS Code 15DA5, LSE Code: RNS 4968I) through which the renunciation of the mandate of the Executive Director of Business Development Stefan-Ionut Pascu was communicated;
- Current report dated 5 May 2022 (BSE IRIS Code 83BBD, LSE Code: RNS 5227K) communicating the revocation of the CEO Georgeta Corina Popescu;

We specify that the information regarding the list of Electrica S.A. subsidiaries and controlled entities can be found in the annual report, pages 40-42.

THE ARTICLES OF ASSOCIATION

OF

SOCIETATEA ENERGETICĂ ELECTRICA S.A.

**Consolidated pursuant to
the Decision of the Extraordinary General Shareholders Meeting dated 12 October 2022**

CHAPTER 1 NAME, LEGAL FORM, REGISTERED OFFICE, DURATION

Art. 1 Name

(1) The name of the company is Societatea Energetică Electrica S.A. (hereinafter referred to as "**Electrica**" or the "**Company**").

(2) In any invoice, offer, order, tariff, prospectus and any other trading documents issued by Electrica shall be mentioned the name of the Company, its legal form, headquarters, registration number with the Trade Register, sole registration code, as well as the subscribed and paid up share capital. The previously mentioned information, with all other information required by the regulations on corporate governance, shall also be published on the website of the Company.

Art. 2 Legal form

Electrica is a Romanian legal entity, organized as a joint stock company that is managed in a one tier system and carries out its business according to the Romanian laws and these Articles of Association.

Art. 3 Registered office

(1) The Company has its headquarters at 9 Grigore Alexandrescu Street, 1st District, Bucharest, Romania.

(2) The Company may set-up other secondary offices without legal personality, located in other cities, in the country or abroad, which shall be organized as branches, representative offices, agencies, working points or other entities without legal status, according to the law and these Articles of Association.

Art. 4 Duration

The Company is established for an unlimited period.

CHAPTER 2 BUSINESS OBJECT

Art. 5 Business object

(1) The main business domain of the Company is: 702 - Management and consultancy activities

(2) The main business object of the Company is: 7022 - Business and other management consultancy activities

(3) The Company may also carry out the following secondary activities:

3514 – Trading of energy;
3511 - Production of electricity
1813 – Pre-printing preparation services;
4329 – Other works of construction installations;
4651 – Wholesale of computers, computer peripheral equipment and software;
4652 – Wholesale of electronic and telecommunications equipment and parts;
4618 - Agents specialised in the sale of other particular products
4619 - Agents involved in the sale of a variety of goods
4799 – Other retail sale not in stores, stalls or markets
5812 – Publishing of guides, directories and mailing lists and other similar activities;
5814 – Publishing of journals and periodicals;
5819 – Other editing activities;
5829 – Other software editing;
6110 – Wired telecommunications activities;
6120 – Wireless telecommunications activities (exclusively satellite);
6130 – Satellite telecommunications activities;
6190 - Other telecommunications activities;
6201 – Computer programming activities upon request (client-oriented software);
6202 – Information technology consultancy activities;
6203 – Computational resources management activities (management and exploitation);
6209 – Other information technology service activities;
6311 – Data processing, hosting and related activities;
6312 – Web portals activities;
6399 – Other informational services activities n.e.c.;
6492 – Other credit granting;
6810 - Buying and selling of own real estate;
6820 - Renting and operating of own or leased real estate;
6831 - Real estate agencies;
6832 - Management of real estate on a fee or contract basis;
7010 - Activities of head offices;
7021 – Public relations and communication consultancy activities;
7112 – Engineering activities and related technical consultancy;
7120 – Technical testing and analysis;

7219 – Other research and experimental development on natural sciences and engineering;
7311 - Advertising agencies;
7312 – Media representation services;
7320 – Market research activities and public opinion polling;
7420 – Photographic activities;
7490 – Other professional, scientific and technical activities;
7733 – Rental and lease activities for office equipment (including computers);
8020 - Security systems service activities;
8211 – Combined secretarial activities;
8219 – Photocopying, documents' management and other secretary activities;
8220 – Activities of call centres;
8230 – Organization of conventions and trade shows and exhibitions;
8292 - Packaging activities;
8299 – Other business support service activities n.e.c.;
8559 – Other education n.e.c.;
9101 – Library and archive activities;
9102 – Museums activities;
9499 - Activities of other membership organisations n.e.c.;
9511 – Repair of computers and peripheral equipment;
9512 – Repair of communication equipment.

CHAPTER 3 SHARE CAPITAL. SHARES

Art. 6 Share capital

(1) The share capital of the Company is of RON 3,464,435,970, subscribed and fully paid in.

(2) The structure of the share capital is as follows:

a. In kind contribution of RON 41,419,110 (representing plots of land and construction); and
b. Cash contribution of RON 3,071,206,860 and USD 109,240,801.12 (at an exchange rate of 3.2205 RON/USD).

(3) The share capital is divided into 346,443,597 nominative shares with a nominal value of RON 10 each.

(4) The share capital is held as follows:

a. **The Romanian State**, represented by the competent authority according to the law, holds 169,046,299 shares, having a total nominal value of RON 1,690,462,990, out of which RON 41,419,110 contribution in kind (representing plots of land and constructions), in respect of which it has been granted a number of 4,141,911 shares, representing 48.79% of the subscribed share capital;

b. **Shareholders – list type (natural persons and legal entities)**, hold a number of 177,397,298 shares, having a total nominal value of RON 1,773,972,980, composed of cash contribution of RON 1,422,162,980 and USD 109,240,801.12 (at an exchange rate of 3.2205 RON/USD), representing 51.21% of the share capital.

The share capital does not include assets such as those provided by article 136 paragraph (4) of the Constitution.

Art. 7 Share capital increase and decrease

(1) The share capital of the Company may be increased by issuing new shares or by increasing the nominal value of the existing shares, with the observance of the law and of these Articles of Association.

(2) The share capital may be increased:

a. in exchange of new contributions in cash and/or in kind;
b. by capitalization of reserves, save for legal reserves, as well as the benefits or issue premiums;
c. by offsetting liquid and due receivables at the convening date of the meeting that approves the share capital increase against the Company with shares;
d. from other sources, according to the law.

(3) The shareholders may exercise their preference right within a term of 1 (one) month since the resolution approving the share capital increase has been published in the Romanian Official Gazette.

(4) The share capital of the Company may be decreased, with the observance of the law and of these Articles of Association, by:

a. decreasing the number of shares;
b. reducing the nominal value of the shares;
c. acquiring own shares, followed by their cancellation;
d. other methods provided by the law.

(5) If the Board (as defined below) determines that, following losses as set out in the yearly financial statements approved in accordance with the law, the net assets of the Company have decreased to less than half of the value of the subscribed share capital, it must promptly convene the extraordinary general meeting of shareholders which will decide whether the Company must be dissolved. If the extraordinary general meeting of shareholders does not decide the dissolution of the Company, it must, not later than the end of the financial exercise subsequent to the one when the loss was determined, proceed with the decrease of the share capital with an amount at least equal to that of the loss which could not be covered from the

reserves, if during this period the net assets of the Company were not replenished up to a level at least equal to half the share capital.

(6) The share capital may be decreased only after two months as of the publication of the related decision of the extraordinary general meeting of shareholders in the Official Gazette, according to the legal provisions.

Art. 8 Shares

(1) The rights and obligations deriving from the shares owned by the Romanian State are exercised by the entities nominated according to the legal provisions.

(2) The shares of the Company are nominative shares, issued in a dematerialized form, freely transferable and negotiable and fully paid.

(3) The shares may be converted according to the terms decided by the extraordinary general meeting of shareholders, in compliance with the legal provisions.

(4) The shares' record shall be kept by Depozitarul Central S.A., or by any other competent entity according to the law which, upon the request of any shareholder, will issue a shareholder certificate.

(5) The Company's shareholders may create mortgages over their shares and they may encumber them by usufruct rights according to the law.

(6) Romanian or foreign individuals or legal entities may hold shares issued by the Company, with the observance of the Romanian law.

(7) The shares issued in dematerialized form may be traded on a regulated market or on a multilateral trading facility, according to capital market legislation.

Art. 9 The depositary certificates

(1) Depositary certificates having as underlying shares the shares issued by the Company may be issued by other entity, different from the Company.

(2) Depositary certificates are securities which grant to the owner rights and obligations related to underlying shares based on which the depositary certificates were issued.

(3) The depositary certificates give the rights to obtain, by way of conversion, shares within the Company. The conversion shall be made in accordance with the provisions applicable to the matter.

(4) In addition and without prejudice to the above provisions, the right of the owners of the depositary certificates to own, in their name, shares of the Company is hereby recognised.

Art. 10 Bonds

(1) The Company may issue bonds according to the law.

(2) In case of bond issuances, the extraordinary general meeting of shareholders shall decide on the main terms and conditions of the bonds, including but not limited to: the maximum amount of the issuance, offer period, territoriality of the offer, type of issued bonds, the possibility of admission to trading on a regulated market or on a multilateral trading facility. The Board of Directors shall approve the terms and conditions of each issuance, such as: the nominal value, interest rate, maturity, terms of an early redemption or repayment of the bonds, other features of the bonds, as well as all documentation related to the bond placement.

Art. 11 Rights and obligations deriving from the shares

(1) Each share subscribed and fully paid in by the shareholders, in accordance with the law, grants the shareholders (i) the right to one vote in the general meeting of the shareholders, (ii) the right to elect the directors, (iii) the right to participate to the profit distribution, as well as (iv) other rights provided by these Articles of Association and by the legal provisions.

(2) The acquisition of the property right over a share by a person, directly or indirectly, has as effect the obtainment of the capacity of shareholder of the Company together with all rights and obligations deriving from this capacity, in accordance with the law and these Articles of Association.

(3) The rights and obligations deriving from the shares are transferred to the new acquirers together with the shares.

(4) When a nominative share is owned by several persons, the transfer shall be registered only if they appoint a sole representative for exercising the rights derived from the shares.

(5) The obligations of the Company are secured by its social patrimony, and the liability of the shareholders is limited to the subscribed share capital.

(6) The shareholder that has, in a certain operation, either personally or as representative of another person, an interest contrary to the interest of the Company, must refrain from deliberations regarding the respective operation.

Art. 12 The exercise of the rights by the holders of the depositary certificates

(1) The rights and obligations related to the underlying shares based on which the depositary certificates were issued are exercised by the holders of the depositary certificates, proportionally to their holdings of depositary certificates and taking into account the conversion rate between underlying shares and the depositary certificates.

(2) The holder of the depositary certificates issued based on the underlying shares has the capacity of shareholder within the meaning and for the application of Law 24/2017 on the issuers of financial instruments and market operations. The issuer of the depositary certificates is fully responsible for informing the holders of the depositary certificates in a correct, complete and timely manner, observing the provisions of the issuance documents of the depositary certificates, about the documents and the informative materials related to a general meeting of shareholders, as made available to the shareholders by the Company.

(3) In order to exercise its rights and obligations related to a general meeting of shareholders, a holder of depositary certificates will send to the entity where it has opened its account for depositary certificates the voting instructions for the topics on the agenda of the general meeting of the shareholders, so that the respective information is sent to the issuer of the depositary certificates.

(4) The issuer of the depositary certificates votes in the general meeting of the shareholders of the Company in accordance with and within the limits of the instructions of the holders of the depositary certificate which have this quality at the reference date.

(5) The issuer of the depositary certificates may cast different votes for certain underlying shares in the general meeting of the shareholders than those expressed for other underlying shares.

(6) The issuer of the depositary certificates is fully responsible for taking all necessary measures, so that the entity which keeps the records of the holders of the depositary certificates, the intermediaries involved in the custody services for holders of the depositary certificates on the market where the depositary certificates are traded and/or any other entities involved in recording the holders of the depositary certificates, to send the voting instructions of the holders of the depositary certificates related to the topics on the agenda of the general meeting of the shareholders.

(7) Any reference date for the identification of the shareholders which have the right to take part and to vote in the general meeting of the shareholders of the Company and any registration date for the identification of the shareholders which have rights deriving from its shares, as well as any other similar date set by the Company related to any corporate events of the Company will be established in accordance with the applicable legal provisions and with a prior notice sent with at least 15 calendar days[1] (in Romanian, *zile calendaristice*),

[1] according to the Civil Code, the first and last day of the term are not taken into account.

to the issuer of the depositary certificates, in the name of which the underlying shares are registered based on which the depositary certificates mentioned above are issued. The reference date will be prior with at least 15 working days to the deadline for submitting the power of attorney related to the vote.

Art. 13 Transfer of shares

(1) The shares are indivisible. The Company shall recognize a sole owner per each share, subject to the provisions of article 11 paragraph (4) above.

(2) The partial or total transfer of shares between the shareholders or to third parties shall be carried out according to the terms and procedure provided by the applicable legal provisions, including the capital markets legislation.

CHAPTER 4 THE GENERAL MEETING OF THE SHAREHOLDERS

Art. 14 Duties of the general meeting of the shareholders

(1) The general meeting of the shareholders is the governing body of the Company.

(2) The general meetings of the shareholders are ordinary and extraordinary.

(3) **The ordinary general meeting of the shareholders** shall have the following main duties:

a. to appoint and revoke the members of the Board and establish the level of their remuneration and other rights according to the legal provisions;
b. to establish the income and expenses budget, to set out the activity schedule;
c. to establish the income and expenses budget consolidated at the group level;
d. to discuss, approve or amend the annual financial statements according to the reports submitted by the Board and the financial auditors;
e. to approve the profit distribution according to the law and to establish the dividend;
f. to decide on the management activity of the directors and on the discharge of liability, in accordance with the law;
g. to decide to file legal actions against the directors, managers as well as financial auditors for damages they caused to the Company by breaching their obligations towards the Company;
h. to decide on mortgaging or leasing or closing of one or more units of the company;
i. to appoint and revokes the financial auditor and to set the minimum term of the financial audit contract;
j. approves the Remuneration Policy for Directors and Managers (appointed by the board of directors);
k. approves the Remuneration Report for Directors and Managers (appointed by the board of directors);

l. approves the overall limit of all Managers' (appointed by the board of directors) remuneration and remuneration of Board members;
m. to carry out any other duties set out by the law.

(4) **The extraordinary general meeting of the shareholders** shall decide on the following:

a. withdrawal of the preference right of shareholders upon subscription of new shares issued by the Company;
b. contracting any type of loans, debts or obligations representing a loan, as well as creating real or personal security related to these loans, in each case in accordance with the competence limits provided in Annex 1 to these Articles of Association;
c. operations regarding the acquisition, alienation, exchange or creation of encumbrances over fixed assets of the Company whose value exceeds, individually or cumulated, during any financial year, 20% of the total fixed assets, less receivables;
d. leases of tangible assets for periods longer than one year, whose individual or cumulated value towards the same co-contractor or involved persons or with whom it acts in concert exceeds 20% of the fixed assets value, less receivables at the time of entering in the relevant operation, as well as joint ventures in excess of the same value and with a duration of over one year;
e. approving investment projects in which the Company will be involved in accordance with the competence limits provided in Annex 1 to these Articles of Association, other than the ones provided in the annual investment plan of the Company;
f. approving the issuance and admission to trading on a regulated market or on a multilateral trading facility of shares, depositary certificates, allotment rights or other similar financial instruments; approving the competencies delegated to the Board;
g. changing the legal form;
h. relocation of the registered office;
i. changing the main or secondary business objects;
j. increasing the share capital, as well as decreasing the share capital, according to the law;
k. the merger, the spin-off or the separation;
l. the dissolution of the Company;
m. carrying out any bond issuance, as per the provisions of art. 10 of the Articles of Association, or conversion of a category of bonds in a different category or in shares;
n. approving the conversion of preferential and nominative shares from one category to another, according to the law;
o. any other amendment to the Articles of Association;
p. approval of the eligibility and independence criteria with respect to the Board members;
q. approval of the corporate governance strategy of the Company, including the corporate governance action plan;
r. donations within the limits of the competence provided in Appendix 1 to these Articles of Association; and

s. approves granting of intragroup loans with a value of more than EUR 50 Million per operation;

t. any other decision that requires the approval of the extraordinary general meeting of the shareholders.

Art. 15 Convening the general meeting of the shareholders

(1) The general meeting of the shareholders is convened by the Board according to the legal provisions.

(2) The Board shall promptly convene the general meeting of the shareholders upon the request of shareholders representing, individually or cumulatively, at least 5% of the share capital. In this case, the general meeting of the shareholders shall be convened within no more than 30 days and shall gather within no more than 60 days from the date of receiving the request.

(3) In case the Board does not convene the general meeting of the shareholders according to paragraph (2) above, the shareholders that requested the convening may claim in court the authorisation to convene the general meeting of the shareholders, as well as (i) the approval of the agenda, (ii) the establishment of the reference date, of the date and place for the gathering of the general meeting of the shareholders and (iii) the appointment of the shareholder to preside the meeting.

(4) Shareholders individually or cumulatively representing at least 5% of the share capital are entitled to insert new topics on the agenda of the general meeting of the shareholders and to present draft decisions for the topics inserted or proposed to be inserted on the agenda of the general meeting of the shareholders. This right may be exercised only in writing (including by electronic means) and within a 15-day term since the publication of the convening notice.

(5) The ordinary general meetings of shareholders take place at least once a year, within maximum 4 (four) months from the end of the financial year, to approve the financial statements for the previous financial year and to analyse the annual report of the Board and the financial auditor's report;

(6) The extraordinary general meetings of shareholders shall be convened as many times as necessary, according to the legal provisions in force and to the provisions of these Articles of Association.

(7) The general meeting of the shareholders shall be convened at least 30 days before the scheduled date, by registered letter, by electronic means or other means provided by law. The 30-day term is not applicable to the second and third convening of the general meeting of the shareholders caused by insufficient quorum with the respect of the following conditions: (i) the provisions regarding convening were respected on the first convening, (ii) no new points were added on the agenda and (iii) at least 10 days must pass between the final convening and the date of the general meeting of the shareholders.

(8) The convening notice shall contain at least the name of the Company, the place, date and hour of the general meeting of the shareholders, the reference date and the agenda, which should explicitly mention all the matters to be debated and a clear and precise description of the procedures that the shareholders must meet in order to participate and vote within the general meeting of the shareholders, and all mandatory elements provided by the applicable law.

(9) When the agenda contains proposals for amending the Articles of Association, the convening notice must contain the full text of the proposed amendments.

(10) The general meeting of the shareholders gathers at the headquarters of the Company or in any other place indicated in the convening notice.

Art. 16 Organization of the general meeting of the shareholders

(1) For the validity of the deliberations of the ordinary general meeting of the shareholders gathered at the first call, shareholders representing at least one quarter (1/4) of the total number of voting rights must attend the meeting. The ordinary general meeting of the shareholders will adopt decisions with the majority of the votes casted by the shareholders present or validly represented in the meeting.

(2) In case the quorum provided in point (1) is not duly met, at the second call, the ordinary general meeting of the shareholders may decide on the items on the agenda of the first meeting irrespective of the quorum, taking decisions with the majority of the votes casted by the shareholders present or validly represented in the meeting.

(3) For the valid deliberations of the extraordinary general meeting of the shareholders, the following are necessary:

a. at the first convening, the presence of shareholders representing one quarter (1/4) of the total number of voting rights, and decisions must be taken with the majority of the votes held by the shareholders present or validly represented in the meeting, except for (A) the attributions provided in art. 14 (4), letters (e), (o), (p), (q) and (r), in which case the decisions will be taken with the favourable vote of at least 55% of the total number of voting rights, and (B) the attributions provided in art. 14 (4) (g), (i) in what concerns the main business object, (j), (k) and (l), in which case the decision will be adopted with a majority of at least two thirds (2/3) of the voting rights held by the shareholders present or validly represented in the meeting, but not less than 55% of the total voting rights. In case the quorum provided at this point (3) (a) of the current article is not duly met for a particular resolution, the meeting shall meet to debate and vote on that resolution, at the second convening;
b. at the second and subsequent convening, the extraordinary general meeting of the shareholders can deliberate with respect to the items on the agenda of the first meeting

in the presence of the shareholders holding one fifth (1/5) of the total number of voting rights and can adopt decisions with the majority of the votes held by the shareholders present or validly represented in the meeting, except for the (A) attributes provided in art. 14 (4) letters (e), (o), (p), (q) and (r), situation in which the decisions shall be taken with the favourable vote of at least 55% of the total number of voting rights and (B) attributes provided in art. 14 (4) points (g), (i) regarding the main business object, (j), (k) and (l), in which case the decision will be adopted with at least two thirds (2/3) of the voting rights held by shareholders present or validly represented in the meeting, but not less than 55% of the total voting rights.

(4) By way of exception from the provisions mentioned under paragraph (3) above, in case of any decisions regarding the withdrawal of the preference right of shareholders to subscribe for new shares in a share capital increase, the general meeting of the shareholders must vote with the observance of the relevant legal provisions regarding the quorum of the general meeting of the shareholders and the voting majority, as provided in the capital markets legislation.

(5) To calculate the quorum in the general meeting of the shareholders only the underlying shares for which the issuer of the depositary certificates votes in the general meeting of the shareholders, including the option for abstention vote, in accordance with the instructions received from the holders of the depositary certificates, will be taken into account. The issuer of the depositary certificates will communicate to the Company, at the moment at the calculation of the quorum in the general meeting of the shareholders, the percent of the voting rights related to the underlying shares for which it will express its vote in the general meeting of the shareholders.

(6) On the day and at the hour mentioned in the convening notice, the general meeting of the shareholders shall be opened by the Chairman or, in his/her absence, by a director empowered by the Chairman for this purpose. In case the minimum quorum for the first summoning is not met within 30 minutes after the time indicated in the published convening notice, the meeting will gather on the date of the second summoning at the hour, location and having the agenda indicated in the published convening notice.

(7) Out of the present shareholders, the general meeting of the shareholders shall elect a secretary who shall check the list of presence of the shareholders, indicating the share capital represented by each. The Chairman may appoint, among the Company's employees, one or more technical secretaries to carry out the related duties according to the legal provisions. The minutes ascertaining the number of the shares submitted and the fulfilment of all formalities required by the law and by the Articles of Association to hold the general meeting of the shareholders will be drafted by the technical secretary.

(8) The minutes shall be signed by the secretary and by the Chairman and ascertains the fulfilment of the convening formalities, the formalities for applying the cumulative voting method (if the case), the date and place of the general meeting of the shareholders, the

number of present shareholders, the number of shares, the number of votes that were expressed and their allocation, the summary of the debates, the decisions taken and, at the request of the shareholders, the statements they have made during the meeting.

(9) The minutes of the general meetings of shareholders shall be kept in a general meeting of shareholders register.

(10) The convening documents, the shareholder attendance list as well as, as the case may be, other documents provided by the law, must be attached to each minutes.

(11) The access of shareholders or their proxies entitled to participate at the general meeting of the shareholders shall be permitted by providing evidence of their identity, by the methods provided by law. The Board may refuse access to any meeting to any person who fails to provide such evidence of identity.

(12) The Chairman shall take such measures or give directions as it might be necessary to promote the orderly conduct of the meeting as laid down in the convening notice of the meeting, including adjourning the meeting at any time if it is necessary to secure the proper and orderly conduct of the meeting. The Chairman's decision on matters of procedure or arising incidentally from the meeting shall be final as shall be his determination as to whether any matter is of such a nature.

(13) Shareholders' participation to the general meeting of the shareholders is made in person or by representative according to the legal provisions. Shareholders may also be represented by other persons than shareholders. The special powers of attorney and the general power of attorney, upon its first use, will be submitted at the Company's headquarters or will be transmitted to the Company to be registered at the Company's registration office with at least 2 (two) working days prior to the date of the meeting at its first convening.

(14) Shareholders may appoint or revoke their representatives including by electronic means, according to the applicable legal provisions.

(15) In the situation in which the Company's management has the obligation, in accordance with the law or these Articles of Association, to inform the shareholders about certain measures or actions undertaken, such information is included on the agenda of the general meeting of the shareholders and is not subject to the shareholders' vote.

(16) Each shareholder may address questions in writing to the Board regarding the Company's activity, before the date of the general meeting of the shareholders. The Board shall respond during the meeting. A response is considered to be given if the relevant information is available on Company's website, under the "Frequent questions" section. The Company may formulate a general response to questions having the same content.

Art. 17 Exercising the voting right at the general meeting of the shareholders

(1) The decisions of the general meeting of the shareholders are taken by open vote.

(2) Decisions may be taken according to the terms and majority provided by law and these Articles of Association for ordinary or extraordinary general meetings of shareholders.

(3) Shareholders may vote by correspondence before the general meeting of the shareholders according to the procedure provided to the shareholders in the convening notice.

(4) The secret vote is mandatory when appointing or revoking the members of the Board, when appointing, revoking or dismissing the financial auditors and when taking decisions regarding the liability of the members of the Company's administration, management and control bodies.

(5) In order to be enforceable against third parties, the decisions of the general meeting of the shareholders shall be submitted to the Trade Register within 15 days, in order to be mentioned in the excerpt in the register and published in the Romanian Official Gazette. The vote results shall be published on the Company's webpage within maximum 15 days from the date of the general meeting. Upon the request of the general meeting of the shareholders, other documents may also be published on the webpage, according to the legal provisions.

(6) The conditions regarding the publicity of the general meeting of the shareholders apply correspondingly to the decisions of the Board in the matters delegated by the general meeting of the shareholders.

(7) The decisions taken by the general meetings of shareholders according to the law and these Articles of Association are mandatory even for the shareholders who were not present at the meeting or who voted against.

(8) The shareholders who do not agree with the decisions taken by the general meetings of shareholders regarding the change of the main business object, relocation of the registered office abroad, changing the Company's legal form, the merger or spin-off of the Company, have the right to withdraw from the Company and to request the Company to purchase their shares, within 30 days from the publication of the decision of the general meeting of the shareholders in the Official Gazette, except for the decision related to merger and spin-off, in which case the term starts as of the date the decision was taken by the general meeting of the shareholders.

CHAPTER 5 THE BOARD AND THE MANAGEMENT OF THE COMPANY

Art. 18 Organization of the Board

(1) The Company's management is organized in one-tier (unitary) system, respectively as a board of directors formed of 7 (seven) non-executive directors (the "**Board**"). At least 4 (four) directors must be independent.

(2) The Romanian State, represented by the competent authority according to the law, will not be able to propose more than 3 (three) candidates for the positions of directors, members of the Board. The candidates for the other 4 (four) positions of directors will mandatorily be independent and will be proposed by the other shareholders. Also, all the independent candidates shall comply with eligibility and independence criteria acceptable to the Company's shareholders, including, at least the following mandatory eligibility and independence criteria, arising from the best international practices in the field:

a. the candidate must not be a manager of the Company or any company controlled by it and must not have had such a position in the last 5 (five) years;
b. the candidate must not have been an employee of the Company or of any company controlled by it or must not have had any such employment relationship in the last 5 (five) years;
c. the candidate must not receive or have received from the Company or from any company controlled by it, a supplementary remuneration or any other advantages, other than the ones corresponding to his position of non-executive director;
d. the candidate must not be a significant shareholder of the Company; is not and has not been an employee or a representative of a significant shareholder of the Company, does not have or has not had any contractual relationship, during the previous financial year, with a significant shareholder of the Company, (significant more than 10% of voting rights) or with another company controlled by the respective shareholder;
e. the candidate must not have or have had, in the last year, business relationships with the Company or with a company controlled by it, either personally, or as shareholder, director, manager or employee of a company which has such relationships with the Company, if, through their material nature, they may affect the candidate's objectiveness;
f. the candidate must not be or have been in the last 3 (three) years financial auditor, shareholder or employee of the current financial auditor of the Company or of any company controlled by it;
g. the candidate must not be a manager in any other company in which a manager of the Company is non-executive director;
h. the candidate must not have been a non-executive director of the Company for more than 2 (two) full mandates (i.e. 8 years);
i. the candidate must not have any family relationships with a person falling under the situations provided in letters a) and d);
j. in the last 5 (five) years, the candidate has not occupied in Romania a management or controlling (i.e. inspection) position in a central or local state authority or has not been a statutory director, a manager or an employee with management prerogatives of a company active on the Romanian territory in the field of electricity distribution,

electricity supply, electricity trading or construction, maintenance and design of electricity capacities;

k. the candidate shall fulfil the appropriate integrity, expertise and qualifications criteria.

(3) The Board meetings will be validly held in the presence of at least 5 (five) members out of whom 3 (three) members will mandatorily be independent members.

(4) The Board decisions will be taken by the majority of votes of the attending or represented members. In case of parity of votes, the respective decision is rejected.

(5) The decisions relating to the appointment of the Chairman are taken by the majority of the votes of the Board members.

(6) The decisions relating to the revocation of the Chairman are taken by the majority of the votes of the Board members. In this specific case, the Chairman does not have the right to vote.

(7) The Board members may be appointed by the method of cumulative voting as per the applicable legal provisions.

(8) The Board is appointed for a period of 4 (four) years. It may be revoked by the general meeting of the shareholders of the Company.

(9) In case of vacancy of one or more director positions, whenever the Board cannot function and fulfil its duties in accordance with the applicable legal provisions and these Articles of Association, the Board shall immediately convene the general ordinary meeting of the shareholders having on the agenda the filling of the vacant position(s) of director. The Board may appoint a temporary director for the period until the general ordinary meeting of the shareholders having on the agenda the filling of the vacant position(s) of director. The term of office for which the new director is elected by the general meeting of the shareholders is equal to the period until the expiry of the predecessor's term of office.

(10) A director's mandate will be terminated:

a. by the general meeting of the shareholders revoking the mandate;
b. by the director's decease;
c. by resigning the mandate, for grounds which may not be attributed to the director, based on a written notification delivered to the Chairman at the Company's headquarters;
d. the person in question is no longer a director by virtue of any provision of these Articles of Association or if there are legal prohibitions hindering the director to further occupy such position (any circumstance causing a vacancy longer than or equal to 90 calendar consecutive days, rendering the director unable to perform his/her duties, in person or through a representative, including, but without limitation

to, arrest, imprisonment as result of a court decision, cancelation of the decision of the general meeting of the shareholders for appointing the respective director;

e. in case the director is a legal entity, if it becomes bankrupt or conducts legal procedures outside the court or concludes an arrangement for restructuring, rescheduling, or for being exempted from performing its obligations with its creditors (including by carrying out preventive concordat procedures or an ad-hoc mandate);

f. if he/she is absent and does not mandate any other director for the meeting, for more than 3 (three) meetings of the Board in the course of a financial year or if he/she is absent (irrespective of whether or not he/she empowers another director to attend the meeting), from more than 6 (six) Board meetings during one financial year.

(11) The Board meets at least 4 (four) times per year, or whenever necessary, as convened by the Chairman. The Board is also convened upon the motivated request of at least 2 (two) members of the Board or by the General Manager, in which case the Chairman is bound to comply with such request.

(12) The Board carries out its activity based on its own regulation and the legal provisions in force.

(13) The directors act with loyalty, in the Company's interest. They will not disclose confidential information and trading secrets of the Company, to which they have access in their capacity as directors.

(14) The Board elects a chairman from among its members (the "**Chairman**"). The Chairman coordinates the board's activity and reports in the name of the Board in this respect to the general meeting of the shareholders, in accordance with the law. If the Chairman is unable to temporarily perform his/her duties, during the period in which he/she is unable to act, the Board may entrust another director to act as Chairman. For facilitating its decision-making process, the Board may decide to create one or more vice-chairman positions.

(15) The works of the Board meetings and of the consultative committees of the Board will be prepared by a secretarial structure organized within the Company, formed by employees of the Company, which will have as duties, amongst others, granting the fully necessary support for carrying out the Board's meetings and of the consultative committees of the Board. The head of the internal structure will act as secretary of the meeting during the Board's meetings and of the consultative committees of the Board, save for the case in which it appoints another person to act in his/her place. This secretarial structure will be organized and will function as per the provisions of the organization and operation regulations of the Board, of the consultative committees of the Board, and, respectively, of the internal regulations, in accordance with the best practices.

(16) During their mandates, the directors may not conclude employment agreements with the Company. In case directors were appointed out of the Company's employees, the individual employment agreement will be suspended for the duration of the mandate.

(17) The convening notice for the Board shall contain the place, the date, the hour of the meeting and the agenda, and shall be sent along with the meeting documentation, to the Board members at least 7 (seven) days before the meeting is held.

(18) Any documents to be discussed during the Board meeting or required for holding/carrying out the Board meeting need to be provided to the Board in original or in copy at the Company's headquarters at least 7 (seven) days prior to holding the meeting.

(19) The Board members may be represented in a Board meeting by the other members of the Board. A present member may only represent a sole absent member.

(20) If technically available, any Board member may validly participate in a meeting of the Board or a committee of the Board through a teleconference, videoconference or any other form of communications equipment, provided that all persons participating in the meeting are identifiable, they may effectively participate in the meeting of the Board and the equipment ensures the continuous broadcasting of the meeting.

(21) The person participating through teleconference, videoconference or any other form of communications equipment complying with the requirements provided by the paragraph above will be deemed present in person at the meeting in question and will be taken into account upon determining the quorum, having the right to vote.

(22) The debates are audio recorded and, as the case may be, video recorded, and are registered in the minutes of the meeting. The minutes will comprise the participants' names, the agenda and the order of the deliberations, the taken decisions, the number of casted votes and the dissenting opinions and indicating the person having requested the registration, other matters / information it believes are noteworthy. The minutes will be signed by the Chairman, by a director that attended the meeting and by the secretary of the meeting. The audio recordings and, if the case, video recordings, complement the minutes of the meeting, for each committee or board meeting.

(23) A written decision signed at distance or electronically confirmed by all members of the Board, will be valid and will produce effects in all cases just as a decision validly passed during a Board's meeting (or, as the case may be, a committee). The approval of decisions in this manner is permitted only in exceptional cases, justified by urgent situations and if in the interest of the Company. Such a decision may consist of several documents or electronic communications in the same form each signed by one or several members of the Board or by members of the relevant committee.

(24) The Board delegates the Company's management to one or more managers, appointing one of them general manager (the "**General Manager**"). The position of General Manager may not be held by one of the directors.

(25) At the Board meetings the following may be convened (i) managers (including the General Manager), (ii) internal auditors, (iii) specialists in various fields, depending on the matters subject to debate and/or (iv) representatives of trade union organizations, as stipulated by the law and by the collective employment agreement concluded at the level of the unit, in case the matters subject to discussion are focused on issues of professional economic, social or cultural interest. All these categories of invitees participate to the meeting without having the right to vote.

(26) In relation to third parties and before the courts of justice the Company shall be represented by the General Manager, in accordance with the management prerogatives delegated to him/her by the Board, the latter being in charge of representing the Company in relation to managers.

(27) By way of exception from article 18 paragraph (26) of these Articles of Association, for the accomplishment of the duties of the Board, the Company may contract, based on the decision of the Board, services carried out by third parties. In relation with the third parties contracted based on the decision of the Board, the Company shall be represented by the General Manager or by any other person nominated in the decision of the Board who can legally represent the Company.

(28) The Company's management must provide the shareholders and the auditor with the documents and information in accordance with the applicable legal provisions.

(29) Each member of the Board must expressly accept such capacity and must subscribe an insurance policy for professional liability. The premium of the insurance for professional liability premium shall be borne by the Company.

(30) The members of the Board are jointly or severally liable, as the case may be, towards the Company for the damages resulted from criminal offences or from breaches of their obligations under their mandate agreements.

(31) Persons who are incompatible according to the Companies Law no. 31/1990, republished, as subsequently amended and supplemented, may not be members of the Board or managers of the Company.

(32) The Board may set-up consultative committees.

(33) The Company is prohibited from granting loans to its directors according to the legal provisions.

Art. 19 Duties of the Board, Consultative committees, Managers and General Manager.

A. Duties of the Board

(1) The Board shall have mainly the following duties:

a. approves the proposals regarding the global strategy including but not limited to Company's development and restructuring ;
b. approves the organisational chart and the organisation and functioning regulation of the Company;
c. approves the level of professional liability insurance for the General Manager and the other managers to whom the management of the Company was delegated;
d. decides the main directions of the Company's activity and development;
e. decides the accounting policies and the financial control system and approves financial planning;
f. appoints and revokes the managers, including the General Manager, and establishes their remuneration;
g. supervises the managers' activity and represents the Company with respect to the managers;
h. submits the application for the opening of the Company's insolvency proceedings, according to the law;
i. if the case, exercises the duties delegated by the extraordinary general meeting of the shareholders, in accordance with the law;
j. concludes legal acts in the name and on behalf of the Company through which to acquire assets for the Company, to dispose of, lease, change or create encumbrances over the assets in the Company's patrimony, with the approval of the general meeting of the shareholders, when the law or these Articles of Association impose such condition;
k. approves the delegation of duties to managers (including the General Manager) for the fulfilment of its operations;
l. submits to the general meeting of the shareholders for approval, within a maximum of 4 months from the end of the financial year, the annual financial statements of the Company prepared for the previous financial year, based on the directors' report and on the financial auditor's report;
m. submits to the general meeting of shareholders for approval, the remuneration policy and the remuneration report;
n. makes recommendations to the shareholders in relation to the distribution of the profit;
o. endorses the draft activity program and the draft of the Company's budget and submits them to the general meeting of the shareholders for approval within the period provided in letter l);
p. convenes the general meeting of the shareholders whenever necessary, according to the legal provisions;
q. approves the organization and functioning regulation of the Board and of its committees;
r. empowers the General Manager to negotiate the collective labour agreement;
s. decides the duties and the level of contracting bank loans, commercial loans and approves the deliverance of the encumbrances related to these loans, in accordance

with the competence limits for which a decision of the general meeting of the shareholders is required, as per Annex 1 to these Articles of Association;

t. approves the granting of intragroup loans with a value lower than or equal to EUR 50 Million per operation;

u. approves the participation in the establishment of new legal persons with/without patrimonial purpose and of their articles of association;

v. approves the association agreement with other legal and individual persons without establishing new legal persons;

w. establishes and approves changes in the income and expenses budget's structure approved by the general meeting of the shareholders, within the limits for which the Board was mandated;

x. establishes and approves the level of remuneration of the Board's secretary;

y. approves the annual consolidated investment plan at a group level (CAPEX plan);

z. approves the establishment or dissolution of secondary offices: branches, agencies, representative offices, working points or other similar units without legal status, according to the legal provisions;

aa. fulfils any other duties established by the general meeting of the shareholders or provided by the legal provisions.

(2) The Board is obliged to submit to the territorial unit of the Ministry of Public Finance within the legal term hard copies and electronic copies (or just electronic copies) of the financial statements, along with the financial auditor's report and the minutes of the general meeting, in accordance with the law. The Board must also publish in the Official Gazette an announcement confirming the submission of the financial statements.

(3) The following duties of the Board cannot be delegated to the Company's managers:

a. deciding the main directions of the Company's activity and development and risk management principles;

b. deciding the accounting policy and financial control system and approving the financial planning;

c. appointing and revoking the managers and deciding their remuneration;

d. supervising the activity of the managers mentioned in letter c);

e. preparing the annual report, organising the general meeting of the shareholders and implementing its decisions;

f. submitting the application for the opening of the Company's insolvency proceedings, according to the law;

g. duties assigned to the Board by the general meeting of the shareholders.

B. The consultative committees

(4) The Nomination and Remuneration Committee, the Strategy and Corporate Governance Committee and the Audit and Risk Committee are established within the Board. The Board may establish other committees, according to the law.

(5) Inter alia, the nomination and remuneration committee: (i) drafts and submits for the Board's approval the profile and the selection procedure regarding candidates for directors, managers, as well as for other management positions, (ii) assesses the compliance of the candidates for the position of directors with the Company's profile, including with the independency and eligibility criteria, (iii) proposes and recommends candidates for the foregoing listed positions to the general meeting of the shareholders (in case of Board members) and to the Board (in case of managers), and (iv) makes proposals regarding the remuneration of directors, managers and other management positions.

(6) The audit and risk committee has, *inter alia*, the following duties: (i) to monitor the financial reporting process; (ii) to monitor the efficiency of the internal audit and control or, as the case may be, risk management systems within the Company; (iii) to monitor the statutory audit of yearly financial statements and yearly consolidated financial statements; (iv) to review and monitor the independence of the financial auditor and, especially, the performance of additional services to the Company.

(7) The audit and risk committee must review all the documents and the operations provided by article 14 paragraph (4) b), c), d) and e) and to make available to the Board a detailed recommendation related to, *inter alia*, the necessity, the opportunity, the potential risks and benefits related to these operations.

(8) If the audit and risk committee unanimously decides over the recommendation related to the aspects mentioned in paragraph (7) and the Board, in the documents provided to the general meeting of the shareholders, takes a decision contrary to the recommendation of the audit and risk committee, the decision of the Board shall contain a detailed description of the reason why a contrary decision was taken.

(9) The consultative committees comprise at least 3 (three) Board members. The majority of the members of the audit and risk committee and the nomination and remuneration committee must be represented by independent directors. In addition, at least one member of the audit and risk committee must hold relevant experience in accounting and/or financial audit.

(10) The decisions of the committees shall be taken with the absolute majority of their members.

(11) The committees submit reports regarding their activity to the Board regularly or upon request.

(12) The consultative committees function in accordance with the organisation and functioning regulation of the relevant committee, approved by the Board, and with these Articles of Association.

C. The Managers of the Company

(13) The duties of the managers of the Company are established by the agreements under which the managers are performing their duties within the Company, the internal organisation and functioning regulation of the Company and by the legal provisions in force.

(14) The managers are only the persons to whom management responsibilities were delegated by the Board. Any other person, irrespective of the technical name of the position within the Company, is excluded from the application of the norms regarding managers of joint stock companies.

(15) The managers may sub-delegate their responsibilities, for specific acts, through the General Manager's and the manager's joint decision, subject to the prior approval of the Board.

(16) The organisation of the managers' activity is decided by the Board and is regulated by the organisation and functioning regulation of the Company.

(17) The managers shall inform the Board in connection to all the irregularities found when carrying out their duties.

(18) In the absence of the prior approval of the Board, the managers may not be managers, directors, internal auditors or partners with unlimited liability, or any other equivalent position, in other competing companies or having the same business object, and they cannot carry out the same trade or another competitive one, on their own account or on another person's account, subject to revocation and liability for damages.

(19) The managers are liable for not fulfilling their obligations and must inform the Board on a regular basis regarding the manner in which they carried out their activity and fulfilled their duties. They may be revoked by the Board at any time.

(20) The managers shall be registered with the Trade Register based on the decision of the Board, which shall be published in the Official Gazette.

(21) The managers are responsible for taking all the measures according to the limits of the Company's business object and based on the duties delegated by the Board and the general meeting of the shareholders, according to the legal provisions.

D. The General Manager

(22) The duties of the General Manager are established by the agreements under which the General Manager is performing his/her duties within the Company, the internal regulations of the Company and according to the legal provisions in force.

(23) For the fulfilment of his/her mandate, the General Manager may be held liable in accordance with the Companies Law no. 31/1990, republished, as subsequently amended and

supplemented, as well as with the provisions of the Romanian Civil Code regarding the mandate agreement.

(24) The General Manager will carry out his/her duties with the prudence and diligence of a good manager, with loyalty and in the best interest of the Company. The General Manager is not allowed to disclose any confidential information.

(25) The General Manager shall have mainly the following duties:

a. represents the Company towards third parties; the General Manager may sub-delegate the representation and decision rights, for specific acts, by his/her decision, subject to the prior approval of the Board; however, in case of article 20 paragraph (2) of these Articles of Association, the General Manager may sub-delegate his/her representation powers without the prior approval of the Board;
b. applies the strategy and the development policies of the Company, as established by the Board;
c. notifies the Board about all irregularities identified during the fulfilment of his/her duties;
d. hires, promotes and dismisses the employed personnel in accordance with the law, including the managers employed with individual labour agreement, others than the managers to which the Board has delegated management duties, and coordinates and supervises the activity of all managers of the Company;
e. negotiates, in accordance with the law, the individual labour agreement of the Company's personnel;
f. concludes legal acts in the name and on behalf of the Company, within the limits of the empowerments granted by the Board;
g. submits for prior approval of the Board any transaction with the members of the Board, or with the managers, employees, shareholders controlling the Company or a company controlled by them, if it has, individually or in a series of transactions, a value higher than or equal to the equivalent in RON of EUR 50,000. In order to decide on the transaction, the Board may request that an independent expertise be made, in order to examine if the transaction is in line with the same type of transactions that are carried out on the relevant market;
h. fulfils any operations and/or projects which the Board or the general meeting of the shareholders delegated to the General Manager.
i. at least once every 3 (three) months, drafts and provides to the Board a written report related to the Company's management (and also related to the fulfilment of his/her mandate), the activity of the Company (significant changes in business status and in the external aspects that could affect the performance of the Company) and the possible evolution of the Company (and the strategic perspectives of the Company). Upon the request of a Board member, the General Manager shall provide the relevant information related to the management of the Company;
j. endorses the participation in the establishment of new legal entities with patrimonial/non-patrimonial purpose and their Articles of Association;

k. endorses association contracts with other legal or natural persons without the establishment of new legal persons;
l. approves contracts regarding the provision of services by the Company for the benefit of affiliated parties or by affiliated parties for the benefit of the Company within his competencies.

CHAPTER 6 THE SUBSIDIARIES OF THE COMPANY

Art. 20 Competencies

(1) As regards the Company's casting its vote in the subsidiaries' general meetings of shareholders/associates (both ordinary and extraordinary) in which the Company directly holds the capacity of shareholder/associate, the following bodies of the Company will be competent to decide:

A. The extraordinary general meeting of the shareholders of the Company, for the subsidiaries in which the Company directly holds the capacity of shareholder/associate, with respect to the following:

a. withdrawing of the preference right of the shareholders/associates to subscribe for shares/ newly issued by the subsidiaries;
b. the issuing and admission to trading on a regulated market or on a multilateral trading facility of shares, certificates of deposit, allotment rights or other similar financial instruments;
c. changing the subsidiaries' legal form;
d. changing the subsidiaries' main business object;
e. shares/social parts transfer, with the exception of the shares/social parts which are transferred within the Electrica Group;
f. dissolving the subsidiaries;
g. carrying out any issuance of bonds or changing the category of bonds into another category or into shares; and
h. the conversion of preferential and nominative shares from one category into another, and also the conversion of shares in dematerialized form into shares in materialized form, according to the law.
i. contracting by the subsidiaries of any bank loans from local and foreign markets or commercial credits, irrespective of their duration, if their amount exceeds, individually or cumulatively, during a financial year, half of the book value of the assets of the subsidiary at signing date and of the related collaterals;
j. approving investment projects to which the subsidiaries will participate and which will trigger expenses / contributions higher than EUR 25 million (at the exchange rate RON / EUR valid at the date of convening) for each project, except the above mentioned of which approval is infringing the legal provisions on separating the distribution activities from other activities that are not related to distribution (i.e. unbundling), under which, inter alia, the parent company cannot give any instructions regarding the activity of

distribution, if any, and / or take any individual decision regarding the construction or rehabilitation of power distribution capacity, as appropriate.”

B. The Board with respect to all the other decisions that need to be taken in the general meeting of the shareholders/associates of the subsidiaries’ held directly by the Company, and which have not been mentioned as pertaining to the extraordinary general meeting of the shareholders of the Company in paragraph A. above, including, but without limitation to, the following:

a. establishing the subsidiaries’ incomes and expenditures budget;
b. discussing, approving or amending the subsidiaries’ annual financial statements, relying on the reports presented by their board of directors and by the financial auditor;
c. approving the distribution of the subsidiaries’ profits according to the law and establishing the dividend;
d. increasing the share capital, as well as decreasing or replenishing the share capital by issuing new shares, according to the law;
e. approving the subsidiaries’ general indebtedness limits;
f. approving the subsidiaries’ annual financial plan with respect to investments (e.g. individual CAPEX plan for each subsidiary), with the observance of the annual consolidated investments plan at a group level (consolidated CAPEX plan);
g. appointing and revoking the members of the board of directors of each subsidiary and establishing the remuneration to which such directors are entitled, the general limits of additional remunerations of directors and managers, the level of the professional liability insurance for the directors and other rights according to the law;
h. deciding upon the management carried out by the subsidiaries’ directors, assessing their performance and discharging them of liability, according to the law;
i. deciding upon filing legal actions in tort against directors, managers and financial auditors of subsidiaries, for losses they caused to the companies by breaching their duties towards the companies in question;
j. deciding upon mortgaging or leasing or dissolving some units of the subsidiaries;
k. approving the investment projects in which the subsidiaries will participate and which will imply costs/contributions in value lower than or equal to EUR 25 million (at the exchange rate RON/EUR valid on the date of convening) for each project; except the projects which approval is infringing the legal provisions on separating the distribution activities from other activities that are not related to distribution (i.e. unbundling), under which, inter alia, the parent company cannot give any instructions regarding the activity of distribution, if any, and / or take any individual decision regarding the construction or rehabilitation of power distribution capacity, as appropriate;
l. approving any other amendment of the articles of association (i.e. change of the secondary business object, change of headquarter) or of any other topics, which is not in the competency of the extraordinary general meeting of the shareholders of the Company as provided under article 20 letter A) above.

(2) The Company will be represented at the general meetings of shareholders/ associates (both ordinary and extraordinary) of the subsidiaries' held directly by the Company, by the General Manager or by any other person expressly appointed in this respect by the General Manager. By way of exception from article 19 letter D) paragraph (25) of these Articles of Association, the General Manager may delegate the representation powers for the general meetings of shareholders/associates of the subsidiaries' held directly by the Company without the prior approval of the Board. In all cases, the legal or conventional representative of the Company at the general meetings of shareholders/associates of the subsidiaries' held directly by the Company will vote in accordance with the decision adopted by the Company's competent body as per the article 20 paragraph (1) of these Articles of Association.

CHAPTER 7 REGISTRIES

Art. 21 Registries of the Company

The Company shall maintain, by the care of the Board all the registers provided by the law. Compliance with this obligation will be audited at least biannually by the internal auditors.

CHAPTER 8 FINANCIAL AND ACCOUNTING ACTIVITY

Art. 22 Financial audit, internal audit

(1) The Board shall propose to the general meeting of the shareholders the nomination of the financial auditor on the basis of the recommendation of the audit and risk committee.

(2) The external auditors shall have the following main duties:

a. to check if the financial statements are elaborated according to International Accounting Standards and the International Financial Reporting Standards;
b. to control, at the end of the financial year, the stocks, the documents and information provided by the Board in connection to the accounts of the Company, the balance sheet and income statement, submitting a written report to the general meeting of the shareholders;
c. to report if the information in the financial documents presents fairly the assets and liabilities of "Electrica", the Company's financial status, the cash flows as of the balance sheet date, the Company's financial results for the year ended and if the accounting records were kept in compliance with the legal regulations in force;
d. to check the correctness of the accounting records and registrations made according to the legislation in force;
e. to check the compliance of the financial statements with the accounting records.

(3) An internal audit department will be established within the Company. The internal audit department is responsible for overall business objective examination of the Company in order to provide an independent assessment of risk management, control and management of its processes.

(4) The internal audit department will be independent of the Company's management, and internal auditors shall be objective in the conduct of their activity.

(5) The duties of the internal auditors are provided by the internal regulations of the Company.

(6) The financial auditor shall report to the audit and risk committee and to the Board (through the Chairman) with respect to essential aspects resulting from the statutory audit and, especially, with respect to significant deficiencies of the internal control regarding the process of financial reporting.

(7) The duties, rights and obligations of external financial auditors and internal auditors shall be supplemented by the applicable legal provisions.

Art. 23 Financing of own activity

In order to carry out its business object and according to the duties assigned, the Company uses the financing sources provided by law, bank loans and other financial sources.

Art. 24 Financial period

The financial year starts on January 1^{st} and ends on December 31^{st} each year.

Art. 25 Depreciation of fixed assets

The depreciation of the Company's tangible and intangible assets shall be calculated according to the manner decided by the Board, with the observance of the applicable legal provisions.

Art. 26 Accounting records and financial statements

(1) The Company shall keep the accounting records in RON and shall elaborate the financial statements on a yearly basis, considering the methodological norms elaborated by the Ministry of Finance.

(2) The Company will publish the annual financial results and of their respective annexes in compliance with the legal provisions, under the responsability of the General Manager.

Art. 27 Profit calculation and distribution

(1) The profit of the Company is decided based on the balance sheet approved by the general meeting of the shareholders. The taxable profit is decided according to the law.

(2) The profit of the Company after the payment of income tax shall be distributed according to the decision of the general meeting of the shareholders and the legal provisions in force.

(3) Out of the profit of the Company after the payment of the profit tax, the Company establishes a reserve fund and other funds for the modernisation, research and development, investments, as well as for other purposes established by the general meeting of the shareholders or in other way, according to the law.

(4) The dividends due to shareholders are paid by the Company, according to the law, after the financial statements are approved by the general meeting of the shareholders, in accordance with the dividend policy of the Company.

(5) The Company pays dividends to the issuer of the depositary certificates proportionally to its holdings at the registration date set by the general meeting of the shareholders which approved the distribution of such dividends, in the same conditions and observing the same rules applicable to other shareholders. The issuer of the depositary certificates is fully responsible that the sums paid as dividends will be received by the holders of the depositary certificates, proportionally with their holdings at the registration date set by the general meeting of the shareholders which approved the distribution of such dividends.

(6) In case of losses, the Board shall present before the general meeting of the shareholders the reasons and shall propose measures to remedy the situation.

CHAPTER 9 PERSONNEL

Art. 28 Competencies

(1) The management and executive personnel of the Company, except for the managers, is appointed, employed and dismissed by the General Manager.

(2) The salaries and related taxes, social security contributions, as well as other amounts due to the state budget shall be paid according to the law.

(3) The salary rights and the other employee related rights are decided in the collective labour agreement for the executive personnel and by the Board for the personnel appointed by the latter.

CHAPTER 10 PARTNERSHIPS, CHANGING THE LEGAL FORM, MERGER, SPIN-OFF, DISSOLUTION AND LIQUIDATION

Art. 29 Partnerships

(1) The Company may set-up, alone or together with other Romanian or foreign individuals or legal entities, other companies or other entities, according to the law and these Articles of Association.

(2) The Company may conclude partnership agreements with other individuals or legal entities without the establishment of new entities, if the partnership is needed for carrying out its business object.

Art. 30 Changing the legal form

The legal form of the Company may be changed only based on the decision of the extraordinary general meeting of shareholder and after fulfilling all the formalities provided by the law.

Art. 31 Merger, separation, spin-off, dissolution and liquidation

(1) The merger, separation, spin-off and dissolution of the Company shall be made in compliance with the legal provisions and the applicable procedures, including the terms of these Articles of Association.

A. Merger, separation and spin-off

(2) The Company's merger, separation or spin-off shall be approved by decision of the extraordinary general meeting of the shareholders.

(3) In case of a merger, separation or spin-off, the Board must draw up a merger or spin-off plan, according to the legal provisions.

B. Dissolution

(4) The dissolution shall take place in the following cases:

a. impossibility to carry out its business object;
b. declaration of nullity;
c. decision of the general meeting of the shareholders;
d. decrease of the Company's net assets, calculated as the difference between the Company's assets and its liabilities, below half of the subscribed share capital unless the general meeting of the shareholders decides to replenish the share capital or to limit it with an amount at least equal to the loss that could not be covered from reserves;

e. initiation of bankruptcy proceedings;
f. when the number of shareholders drops below the legal minimum;
g. other reasons provided by the law or these Articles of Association.

(5) The decision to dissolve the Company must be registered in the Trade Register and published in the Official Gazette.

C. Liquidation

(6) The dissolution of the Company shall entail the commencement of the liquidation procedure.

(7) The liquidation of the Company and the distribution of its patrimony shall be carried out according to the law and in compliance with the legal procedures.

CHAPTER 11 FINAL PROVISIONS

Art. 32 Governing Law

The provisions of these Articles of Association shall be supplemented by the provisions of the Companies Law no. 31/1990, republished, as subsequently amended and supplemented and of Law 24/2017 on issuers of financial instruments and market operations, republished, as well as by the other legal provisions in force.

Signed in 2 (two) counterparts.

CHAIRMAN OF THE BOARD

ANNEX No. 1 to the Articles of Association of Electrica
Limitation of duties of the General Meeting of the Shareholders and the Board of Directors relating to agreements and operations at the level of the Company

No.	AGREEMENTS, LOANS AND OPERATIONS		APPROVING DUTY	
	Type of agreement / operation	**Value of the agreement / operation (inclusive of VAT)**	**BOARD OF DIRECTORS**	**GENERAL MEETING OF SHAREHOLDERS**
1.	**Bank loans** from the internal and foreign markets, business loans			
a.	for working capital, irrespective of their duration, and also granting the **guarantees** related to such loans	Below or equal to EUR 50,000,000	Approves	Is informed
		Over EUR 50,000,000	Endorses	Approves
b.	For **investment loans**, irrespective of their duration and creating the related **guarantees**	Below or equal to EUR 50,000,000	Approves	Is informed
		Over EUR 50,000,000	Endorses	Approves
2.	**Investments**	Below or equal to EUR 30,000,000 for each project	Approves	Is informed
		Over EUR 30,000,000 for each project	Endorses	Approves
3.	**Donations**	Below or equal to EUR 50,000 for each donation until a cumulative maximum value of EUR 1,000,000 per year.	Approves	Is informed
		Over EUR 50,000 for each donation OR over any donation that, together with the previous ones, exceeds in a year the threshold of EUR 1,000,000.	Endorses	Approves

Societatea Energetica Electrica S.A.
9, Grigore Alexandrescu str.
010621 District 1, Bucharest, Romania
Phone: 021-208 59 99; Fax: 021-208 59 98
Fiscal Registration Code RO 13267221
J40/7425/2000
Share capital: 3.464.435.970 RON
www.electrica.ro

To: **Romanian Financial Supervisory Authority (ASF)**
Bucharest Stock Exchange (BVB)
London Stock Exchange (LSE)

Current report in compliance with the Law 24/2017 on issuers of financial instruments and market operations, ASF Regulation no. 5/2018, and the Bucharest Stock Exchange Code

Report date: **15 April 2022**

Company name: **Societatea Energetica Electrica S.A. (Electrica)**

Headquarters: **9 Grigore Alexandrescu Street, 1st District, Bucharest, Romania**

Phone/fax no.: **004-021-2085999/ 004-021-2085998**

Fiscal Code: **RO 13267221**

Trade Register registration number: **J40/7425/2000**

Subscribed and paid in share capital: **RON 3,464,435,970**

Regulated market where the issued securities are traded: **Bucharest Stock Exchange (BVB) and London Stock Exchange (LSE)**

Significant events to be reported: Changes in Electrica's management

Electrica informs its shareholders and investors that, during the meeting held on 15 April 2022, the Company's Board of Directors took note of the notification submitted by Mr. Ştefan-Ionut Pascu regarding his resignation from the position of Chief Business Development Officer and considers 30 April 2022 as the effective termination date, representing the last day on which the mandate contract is in force.

Electrica's management would like to thank Mr. Pascu for his activity within the Group and wishes him success in future projects.

Chief Executive Officer
Georgeta Corina Popescu

Societatea Energetica Electrica S.A.
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www.electrica.ro

To: **Romanian Financial Supervisory Authority (ASF)**

Bucharest Stock Exchange (BVB)

London Stock Exchange (LSE)

Current report in compliance with the Law 24/2017 on issuers of financial instruments and market operations, ASF Regulation no. 5/2018, and the Bucharest Stock Exchange Code

Report date: **5 May 2022**

Company name: **Societatea Energetica Electrica S.A. (Electrica)**

Headquarters: **9 Grigore Alexandrescu Street, 1st District, Bucharest, Romania**

Phone/fax no.: **004-021-2085999/ 004-021-2085998**

Fiscal Code: **RO 13267221**

Trade Register registration number: **J40/7425/2000**

Subscribed and paid in share capital: **RON 3,464,435,970**

Regulated market where the issued securities are traded: **Bucharest Stock Exchange (BVB) and London Stock Exchange (LSE)**

Significant events to be reported: Executive Management Change

Electrica informs its shareholders and investors that, during the meeting held on 5 May 2022, the Company's Board of Directors (BoD) decided to revoke Mrs. Georgeta-Corina Popescu from the position of Chief Executive Officer (CEO) without cause, starting with 16 May 2022, this being the last day when the mandate contract takes effect.

At the same time, the BoD decided to appoint Mr. Chiriţă Alexandru-Aurelian, Romanian citizen, as interim CEO, starting with 17 May 2022, for a period of 3 months, or until the appointment of a new CEO, respectively until the revocation, whichever occurs first, with the possibility of revoking the mandate granted at any time during the 3-month period.

The BoD also requested the Nomination and Remuneration Committee to initiate with celerity a recruitment process for the position of CEO.

Electrica's BoD would like to thank Mrs. Popescu for her activity within the Group and wishes her success in future projects.

Board of Directors Member
Adrian-Florin Lotrean