

## Executive summary – 3M 2023

- **At consolidated level, EBITDA is positive in the first quarter of 2023 in amount of RON 170 million as compared to the negative EBITDA in amount of RON 51 million recorded in the previous period**
- **Electrica Group recorded revenues and other operating income in the amount of RON 3.512 million in the first quarter of 2023, compared to RON 3.258 million in the same period of 2022, which represents an increase of approx. RON 254 million, or 7.8%**
- **At consolidated level, the net profit of Electrica Group, in the first quarter of 2023, recorded a loss in the amount of 66.6 million RON, respectively a significant reduction compared to a loss of 157.8 million RON in the first quarter**
- **The net profit on the supply segment, in Q1 2023, is 24 million RON and positive EBITDA in the amount of 70 million RON**

In the first quarter of 2023, EBITDA at the level of the Electrica Group registered an increase of RON 220 million, reaching a positive value of RON 170 million, compared to the negative value of RON 51 million achieved in Q1 2022. The impact was generated mainly, by the operational performance of the distribution segment, due to the implementation of the centralized purchase mechanism MACEE, which determined a significant decrease in the costs incurred with the purchase of electricity for own technological consumption.

According to the Emergency Ordinance no. 153/2022, between 01 January 2023 and 31 March 2025, the mechanism for the centralized purchase of electricity is established, with OPCOM being designated as the sole purchaser. The distribution operators buy from OPCOM, through an annual/monthly mechanism, 75% of the quantity forecasted and validated by ANRE at the price of 450 lei/MWh, and the producers will sell to OPCOM, through an annual/monthly mechanism, 80% of the quantity forecasted and validated by ANRE and Transelectrica at the price of 450 lei/MWh.

Considering that the increased tariffs approved by ANRE for the distribution segment, enter into force on 01 April 2023, they are not reflected in the performance of the distribution segment in Q1 2023. The tariffs will be increased by approximately 20% (26.1% North Muntenia area, 21.5% North Transylvania area and 10.9% South Transylvania area) as a result of GEO 28/2023 and will have an impact between 01 April 2023 and 31 March 2024. We mention that the first capitalized asset for the additional costs of purchasing electricity for the NL coverage was registered on 30.09.2022 for the period January-September 2022 according to OMFP 3900/2022 and began to be amortized from the fourth quarter of 2022 and the second capitalized asset was registered on 31.12.2022 for the period October-December 2022 and began to be amortized from the first quarter of 2023, while the recovery through increased tariffs of the electricity price difference for NL only started on 01 April 2023, which impacts the net result on the distribution segment.

**Statement of Alexandru Chirita, CEO of Electrica S.A.:** “The financial performance of Electrica Group in the first quarter of this year attests to our corporate robustness and our commitment to operational optimization and strategic adaptation in the context of fluctuating economic and legislative landscapes. This upward trajectory, achieved in an energy market still under the sign of unpredictability, underlines the commitment we have at team level to the sustainable evolution of the Group.

As we shape our future plans, our strategy will continue to be underpinned by this agile approach, which will help us adapt our operations to market conditions. At the same time, we will focus on promoting the sustainable growth of each business entity, our objective being to strengthen financial stability and increase operational efficiency in all business divisions, thus strengthening the existing portfolio and ensuring stable prospects for the Electrica Group”.

Financial results*	Q1 2023 (RON mn.)	Q1 2022 (RON mn.)	Q1 2021 (RON mn.)
Operating revenues, out of which:	3.533	3.258	1.729
<i>Revenues from subsidies</i>	987	632	-
<i>Income from the production of intangible assets**</i>	21	-	-
Operating expense	(3.428)	(3.433)	(1.652)
(Loss)/Operating profit	(7)	(175)	78
<b>EBITDA</b>	<b>170</b>	<b>(51)</b>	199
<b>(Loss)/Profit net</b>	<b>(67)</b>	<b>(158)</b>	<b>58</b>

\*Amounts are rounded to the nearest whole value

\*\*Income from the production of intangible assets representing the capitalization of additional costs with the purchase of electricity. The first capitalized asset for the additional costs of purchasing electricity for the NL coverage was registered on 30.09.2022 for the period January-September 2022 according to OMFP 3900/2022 so in Q1 2022 we have no comparative value.

Source: Electrica

#### Supply segment:

- Revenues from the supply of electricity and natural gas decreased by RON 169 million, or 7.6%, to RON 2,039 million, from RON 2,208 million in the first quarter of 2022, being mainly generated by the net effect of increasing retail prices on the retail market by 3% and reducing the amount of energy supplied to the retail market by 9.4%.
- The revenues from subsidies amount to RON 987 million in Q1 2023, increase by RON 355 million compared to the same period of the previous year, as a result of the increase in the electricity purchase prices and the application of the capping mechanism according to GEO 119/2022.
- The cost of purchased electricity (including transmission system services) increased by RON 286 million, or 13.1%, to RON 2,465 million in Q1 2023, from RON 2,179 million recorded in Q1 2022.

- The net profit on the supply segment in Q1 2023 is RON 24 million (compared to RON 151 million in Q1 2022) and positive EBITDA of RON 70 million (compared to RON 187 million in Q1 2022).

### **Distribution segment:**

- During the three months period ended 31 March 2023, revenues from the electricity distribution segment increased by RON 97 million, or 12.8%, to RON 857 million, from RON 760 million in the same period of the previous year, as a result of the following factors:
  - favorable impact of approx. RON 32 million, mainly from the rise in the distribution tariffs by an average of 4%<sup>1</sup> (see above the mention of tariffs increase starting with April 1, 2023 by approx. 20%), compared to the first three months of 2022, positive effect reduced by the decrease in the volumes of electricity distributed by approx. 9%;
  - favorable impact from the evolution of revenues recognized in accordance with IFRIC 12 - the revenues from electricity distribution segment are influenced by the recognition of investments into the network under concession agreements, these revenues increasing in Q1 2023 by RON 65 million, compared to the same period last year. The impact was generated by the increase in CAPEX achieved in Q1 2023 vs Q1 2022.
- The revenues from the capitalization of own technological consumption amounted to RON 21 million, representing the additional NL calculated as the difference between the net cost with the purchase of electricity and the cost of own technological consumption included in the regulatory tariff, for the period 01 January - 31 March 2023. Starting with 30 September 2022, Electrica Group applies the provisions of GEO no. 119/2022, through which the additional costs with the purchase of electricity, realized between 01 January 2022 and 31 March 2025, in order to cover their own technological consumption, compared to the costs recognized in the regulated tariffs are capitalized quarterly and remunerated with 50% of the regulated rate of return (RRR) approved by ANRE.
- The cost of electricity purchased to cover losses in the network decreased by RON 316 million, or 46%, to RON 377 million, from RON 693 million, the evolution being generated by a significant decrease in the electricity acquisition prices as a result of the implementation of the MACEE centralized acquisition mechanism, according to which the producers have the obligation to sell 80% of the available energy at a price of 450 RON/MWh, impact subsided by the increase of the electricity volumes necessary to cover the losses in the network.
- The net result in the distribution segment reached in Q1 2023 represents a net loss of RON 93 million and positive EBITDA of RON 112 million (vs RON 221 million negative EBITDA in Q1 2022). The net result will improve significantly with the entry into force of the increased distribution tariffs, starting with 01 April 2023.

### **OTHER IMPORTANT INFORMATION**

- The Electrica Group distributed, in Q1 2023, approximately 4.26 TWh (down 9% compared to the same period in 2022) to a number of approximately 3.9 million users;

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<sup>1</sup> Percentage value unaffected by inflation

- In Q1 2023, the Electrica Group supplied to the retail market approximately 2.09 TWh to a number of approximately 3.5 million places of consumption;
- According to the latest ANRE report from December 2022, Electrica Furnizare was the market leader with a share of 17.96%. At the same time, the company was also a leader on the SoLR (suppliers of last resort) market, with a share of 31.21%, on the competitive market with a share of 12.79%;
- Electrica Group continues to pursue the expansion of its portfolio in the field of electricity production, especially from renewable sources.

*The results presented in this release are based on the condensed consolidated interim financial statements prepared in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards.*

*For more information about the financial results of the Electrica Group in 2022, please see the following link:*  
<https://www.electrica.ro/en/investors/results-and-reports/financial-results/financial-statements-for-q1-2023/>

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**Chief Executive Officer**  
**Alexandru-Aurelian Chirita**

#### **Disclaimer**

This report does not represent a recommendation/ offer/ invitation to contract or buy shares. This report contains information regarding preliminary key-operational indicators of Electrica Group's companies, so this forward-looking information is neither guarantees for future performance nor a forecast for the real data or otherwise, being risky or uncertain. The real results could differ significantly from the data in this report.

Therefore, Electrica undertakes no responsibility/liability for any damages that may occur from using this forward-looking information. The data in this report are selective and may requires updates, revisions and changes in the certain circumstances. Electrica assumes no obligation or commitment to publish any update, revision or modification of any information contained in this report, unless required by the applicable law.





# **2023 FIRST QUARTER CONSOLIDATED DIRECTORS' REPORT (Q1 2023)**

**(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)**

**REGARDING THE ECONOMIC AND FINANCIAL ACTIVITY OF SOCIETATEA ENERGETICA  
ELECTRICA S.A.**

**in compliance with art. 67 of the Law no. 24/2017 on issuers of financial instruments and market  
operations and with annex no. 13 to ASF Regulation no. 5/2018 and the Bucharest Stock Exchange  
Code**

**for the three month period ended 31 March 2023**

*Free translation from the Romanian version of the report, which will prevail in the event of any discrepancies with  
the English version.*

## Cuprins

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*Note: The figures presented in this document are rounded based on the round to nearest method; as a result, rounding differences may appear.*

## 1. Identification Details Of The Issuer

**Report date:** 15 May 2023

**Company name:** Societatea Energetica Electrica S.A.

**Headquarters:** no. 9 Grigore Alexandrescu Street, 1<sup>st</sup> District, Bucharest, Romania

**Phone/fax no:** 004-021-2085999/ 004-021-2085998

**Sole Registration Code:** 13267221

**Trade Registry registration number:** J40/7425/2000

**LEI Code (Legal Entity Identifier):** 213800P4SUNUM5AUDX61

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

**Main characteristic 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:** Order of the Ministry of Public Finance no. 2844/2016 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards.

**Reporting period:** 2023 First Quarter (period 1 January – 31 March 2023)

**Audit/Review:** The condensed consolidated interim financial statements as of and for the three months period ended 31 March 2023 are not reviewed or audited by an independent financial auditor.

**Table 1. Company details**

	Ordinary Shares	GDR
ISIN	ROELECACNOR5	US83367Y2072
Bloomberg Symbol	0QVZ	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



## 2. Highlights

The Group's core business segments are the distribution of electricity to users, the supply of electricity to household and non-household consumers, the segment of services related to the external distribution networks as well as the segment regarding the production of electricity from renewable sources.

Electrica's distribution segment operates through its subsidiary Distribuție Energie Electrica Romania („DEER”) and it is geographically limited to 18 counties from the historical regions Muntenia and Transylvania. The Group holds exclusive distribution licenses for these regions, which are valid until 2027, and may be extended for another 25 years.

The electricity and natural gas supply segment operates through Electrica Furnizare (“EFSA”) subsidiary, and the main activity is the supply of electricity to final customers, on the universal service segment and as supplier of last resort, as well as a competitive supplier, all over Romania.

The Group holds an electricity supply license covering the entire territory of Romania, which was renewed in 2021 for a period of 10 years. In order to extend 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.

Within the external electricity network maintenance segment, SERV provides maintenance, repair and various services to group companies (car rental, rental of buildings etc.) as well as repairs, maintenance and other energy related services to third parties.

The Group entered on the segment of electricity production, from renewable sources, starting with 2020 through the purchase of a photovoltaic park with an installed capacity of 7.5 MW (operating capacity limited to 6.8 MW), and in the last 12 months of acquired five projects of electricity production parks from renewable sources (four photovoltaics - with an installed capacity of 175.5 MW and a wind farm with an installed capacity of 121 MW, with an attached electricity storage capacity of 60 MWh). In the first quarter of 2023, the Group completed the acquisition of two photovoltaic projects, with an installed capacity of 12 MWp DC (peak power at the level of the panels) and 9.75 MW AC (evacuating power in the network) and respectively with an installed capacity of 27,055 MW.

In the consolidated report of the administrators on the date and for the three-month period ending on 31 March 2023, the main events that took place during the three months period of the current financial year (detailed below) are included and their impact on the accounting reporting is included both in the operational results of the Group. Also, significant events subsequent to the reporting date are included in this report.

### 2.1. Key Events during the period January – March 2023 (Q1 2023)

**During the three months period ended 31 March 2023** the following main events took place:

#### **Main decision of ELSA's Board of Directors (BoD):**

- On 27 January 2023, ELSA's Board of Directors decided to establish a new consultative committee within its structure, the Climate Governance and Public Affairs committee.

#### **The Climate Governance and Public Affairs Committee:**

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

- On 27 February 2023, ELSA's Board of Directors decided to extend the duration of the mandate of Mr. Alexandru-Aurelian Chirita, as interim CEO, until 30 April 2023 (inclusively).
- Also, on 27 February, ELSA's Board of Directors decided 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).
- On 07 March 2023, the Board of Directors of ELSA decided to convene the Extraordinary General Meeting of Shareholders (EGMS) and the Ordinary General Meeting of Shareholders (OGMS) for 27 April 2023.
- On 14 March 2023, ELSA's Board of Directors decided the the appointment of Ms. Ioana - Andreea Lambru, as Chief Business Development Officer (CBDO), starting with 15 March 2023, for a four-year period.

#### **Other relevant events**

- On 20 January 2023, the Ministry of Energy, as the concessionaire, 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 concessionaire would reimburse the Group the current value of the costs of purchasing electricity for own technological consumption compared to the costs included in the regulated tariffs.
- On 6 February 2023, Electrica has completed the acquisition of the project company Green Energy Consultancy & Investments S.R.L., which 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.
- On 24 March 2023, Electrica completed the acquisition of the project company Sunwind Energy SRL, which develops the photovoltaic project "Satu Mare 2", with a designed installed capacity of 27.055 MW, located near Botiz locality, Satu Mare county. The project is in the "ready-to-build" phase.
- On 7 March 2023 Electrica published the consolidated annual financial statements for the year 2022, drawn up in accordance with OMFP 2844/2016, and on 27 March 2023 published the consolidated annual financial statements for the year 2022, drawn up in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), as well as an announcement explaining the differences between the two sets of consolidated financial statements.
- On 31 March 2023, Electrica announced the publication in the Official Gazette no. 266 from 30 March 2023 of the ANRE Order no. 27 from 29 March 2023, through which the specific tariffs for the electricity distribution service, applicable from 1 April 2023 for Distribuție Energie Electrica România S.A. (DEER) were modified.

#### **Treasury aspects**

##### **Loans related to third-parties**

- On 9 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, concluded by SE Electrica SA and ING Bank, withing the cash pooling structure, whereby the bank provides the borrower with a credit facility in the total amount of RON 210 mn., with 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 DEER, EFSA, SERV, EEV1, SE Electrica SA and ING Bank, with validity until 27 February 2023.
- On 27 January 2023, EFSA concluded with Raiffeisen 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.11673879/02.02.2022, 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 until 20 April 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, 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 DEER, EFSA, SERV, EEV1, SE Electrica SA and ING Bank, regarding the automatic renewal.
- On 03 March 2023, EFSA concluded with BRD the Additional Act no.3 to the Loan Agreement no. 17/8130/2022 dated 04 February 2022, 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 EBRD, SE Electrica SA as guarantor, in amount of RON 180 mn., for working capital and validity until 31 January 2028.
- On 28 March 2023, ELSA concluded with Vista Bank the Additional Act no.1 to the Loan Agreement no. FA 8376, which increases the value of the revolving multi-product credit line (credit line and uses in the form of issuing letters of guarantee) up to RON 125 mn..

## **Litigations**

### ▪ ***Case no. 1221/1285/2022***

Following the appearance in the public space of some information regarding the submittal by Eurototal Comp SRL Bucuresti of an insolvency petition against Electrica's subsidiary, Distributie Energie Electrica Romania SA (DEER), registered on 28 December 2022 under file no. 1221/1285/2022 by the Specialized Courthouse Cluj, Electrica informs its shareholders and investors that DEER was informed about this file registration by Eurototal Comp SRL on 31 December 2022, the date on which the total invoiced balance of RON 1,255 mn. was already fully paid, the debit being thus extinguished and the request of the above-mentioned insolvency claim remaining without object.

Cluj Court of Appeal found Eurototal Comp's recourse to be null, the decision being final.

### ▪ ***Case no. 1100/1/2023***

Societatea Energetica Electrica S.A. (ELSA) filed an annulment appeal against civil decision no. 5599 of 22 November 2022, by which the High Court of Cassation and Justice rejected the appeal declared by ELSA against Sentence no. 707/2019, pronounced by the Bucharest Court of Appeal in file no. 3889/2/2018.

The annulment appeal was registered under no. 1100/1/2023 of the High Court of Cassation and Justice, the case being in preliminary proceedings.

The file no. 3889/2/2018 has as object the annulment of the Competition Council Decision no. 77/20.12.2017, 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. 77/20.12.2017 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 RON 10,800,984.04 (paid by ELSA), 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 Public Competition Council 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. 707/25.02.2019, the Bucharest Court of Appeal rejected the annulment action as unfounded, and the High Court of Cassation and Justice rejected the appeal declared by ELSA against the above sentence.

## 2.2. Subsequent events

Below are presented the relevant events that took place at the Group level in the period between the closing of Q1 2023 and the date of the present report.

### Decisions of the ELSA's BoD

- On 26 April the Board of Directors of the Company, upon the recommendation of the Nomination and Remuneration Committee, decided to extend the term of office granted to Mr. Alexandru-Aurelian Chirita as interim General Director until 31 August 2023 (inclusively), under the same conditions.
- In the meeting of 26 April 2023, the Board of Directors of Electrica approved the consolidated value of the Investment Plan (CAPEX) of the Group for the year 2023 – 1.083,2 mil. RON.

### Other relevant events

- On 27 April 2023, the Ordinary General Meeting of Shareholders (OGMS) and the Extraordinary General Meeting of Shareholders (EGMS), which took place physically and online through the voting platform <https://electrica.voting.ro/>, with a quorum of approx. 76.8% of the total voting rights, approved mainly:
  - The separate and consolidated financial statements, drafted in accordance with OMFP 2844/2016 and IFRS-EU;
  - The total gross dividend value of RON 39,999,343, the gross dividend per share of RON 0.1178, the date of payment of the dividends for the year 2022 as 23 June 2023 and the registration date as 31 May 2023;
  - The 2023 individual and consolidated budgets;
  - A revision of the Remuneration Policy for Directors and Executive Managers;
  - The appointment of Deloitte Audit SRL as financial auditor for 3 years.
- Also, the OGMS and EGMS rejected some modifications to the remuneration of the directors, the replacement of the long-term remuneration plan for executive managers within the Electrica Group from granting virtual shares (OAVT) to granting free shares, and, implicitly, the program for buyback by the Company of its own shares.
- On 28 April 2023, the company published the 2022 Annual Report.

### Transactions with related parties

During 2023, until 3 May 2023, ELSA published 10 announcements, according to art. 108 of Law no. 24/2017, reporting transactions concluded in this period between EFSA - OPCOM, DEER - EFSA, EFSA - Transelectrica, DEER - OPCOM and DEER - Hidroelectrica, 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 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/>.

## Subsequent issues related to the Treasury

### Loans related to third-parties

- On 11 April 2023 was signed the Additional Act no. 3 to the Loan Agreement no. 56 dated 26 October 2021, concluded by EFSA and Raiffeisen Bank SA, SE Electrica SA as guarantor, in amount of RON 150 mn., which extends the validity of Overdraft limit until 28 July 2023, and the validity of the Facility for issuing letters of guarantee until 31 December 2024.
- On 13 April 2023 was signed the Additional Act no. 1 to the Loan Agreement no. 20220406018 dated 15 April 2022, concluded by EFSA and BCR, SE Electrica SA as guarantor, in amount of RON 220 mn. which extends the validity of Overdraft limit until 14 April 2024, and the validity of the Facility for issuing letters of guarantee until 14 April 2025.

### Intragroup Loans

- On 04 April 2023, was signed the Additional Act no. 1 to the Internal Treasury Convention dated 16 December 2020, concluded by SE Electrica SA and Electrica Energie Verde 1 SRL (EEV1), which modifies the commercial conditions.
- On 04 April 2023, was signed the Additional Act no. 3 to the Internal Treasury Convention no. 25 dated 05 February 2020, concluded by SE Electrica SA and EFSA, which modifies the commercial conditions.
- On 07 April 2023, SE Electrica SA concluded with Sunwind Energy SRL a short-term Loan Agreement no. 36, in amount of RON 1.8 mn. and validity until 06 April 2024, for the repayment of the shareholder's loan granted to Sunwind Energy by Mr. Emanuel Muntmark and payment of the invoice related to the development services provided by Monsson Alma SRL to Sunwind Energy SRL.

### Litigations

- **Case no. 435/2/2019**

On 26 April 2023, the High Court of Cassation and Justice settled the appeal filed by Societatea de Distribuție a Energiei Electrice Transilvania Sud SA (at present DEER) and Electrica S.A. in the file no. 435/2/2019, by admitting it and sending the case to the same court for re-examining the main action.

The file has as object Societatea de Distribuție a Energiei Electrice Transilvania Sud SA (at present DEER) and Electrica's request for the cancellation of the Order of ANRE President no. 199/2018 regarding the approval of specific tariffs for the electricity distribution service and the price for reactive electricity, for Societatea de Distribuție a Energiei Electrice Transilvania Sud - S.A.

The action was rejected by the trial court, Electrica and SDEETS filed an appeal against this decision.

### Distribution segment

For the **distribution segment**, the significant changes in the Romanian legislation were detailed at *Appendix 9.2.1*. Based on these changes, the expected effects refer to:

- GEO no. 119/2022 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 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 final 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.
- ANRE order no. 129/2022 for the approval of the *Methodological Norms for the recognition in tariffs of the additional costs with the purchase of electricity to cover the own technological consumption compared to the costs included in the regulated tariffs* - (i) the quarterly capitalization of the additional costs with NL compared to the costs included in the regulated tariffs; (ii) the capital costs related to the year 2022 are recognized in a distinct component related to the additional cost with NL applicable starting on 01 April 2023, outside the 7% limitations imposed for tariff increases; (iii) the recognized NL price for 2022 will be equal to the reference price calculated as an average among network operators, increased by 5%; (iv) the additional cost with NL capitalized in 2023 will be included in the separate NL component applicable in 2024.
- OD sent to ANRE the data for monitoring the simulation of the application of binomial tariffs for the year 2022 until 31 March 2023.
- The modification of the *Investment Procedure* considers 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<sup>1</sup> 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.
- The *Methodology for the evaluation of investments in projects of common interest* (PCI) approved by the ANRE Order is modified as follows: (i) expanding the scope of the Methodology for DO investments (in addition to TSOs), (ii) granting a 1% RRR incentive for PCI, (iii) expanding the scope of the type of PCI

from electric transmission networks, to: a) electrical transmission and distribution networks; b) offshore networks for energy from renewable sources; c) projects that integrate innovative technical solutions and which, although they have low capital costs, involve significant operating costs. The Methodology for establishing distribution tariffs was also modified by granting the RRR incentive of 2% for investments from EU funds only if they did not benefit from the PCI incentive.

## **Investments**

At the end of the first quarter of 2023, the operator Distribuție Energie Electrică România (DEER) made and put into operation investments amounting to RON 40.4 mn., representing 5% of the value of the commissioning program planned for 2023 (RON 764 mn., of which RON 628.4 mn. plan for 2023, and RON 135.6 mn. values related to 2022 plan); it was realized RON 24.7 mn. from 2023 plan, RON 6.5 mn. recoveries related to 2022 and RON 9.2 mn. additional works compared to the 2023 plan, resulting from legislative changes regarding the connection. For the accomplishment of some additional works compared to the plan, for the connection of the users were estimated in CAPEX, expenses in amount of RON 52.4 mn., taking into account the legal provision of electricity and natural gas law no. 123/2012 with all its subsequent amendments and completion, as well as the regulations for grid connection, modified by ANRE orders no. 17, 18 and 19/2022.

## **Supply segment**

The regulatory framework has undergone significant changes in the last decade, regarding the total liberalization of the electricity and natural gas market, the separation of supply and distribution activities, the implementation of the support scheme for renewable energy, the support of electricity consumers and the limitation of prices to final consumers.

In 2023, the electricity market is fully liberalized for all categories of customers and the price is set by suppliers through free market mechanisms, both for universal service offers and for offers related to the competitive market, in compliance with the legal provisions regarding capping established for period 1 November 2021-31 March 2025.

Trading on the wholesale market is carried out by concluding the following types of transactions: directly negotiated bilateral transactions, transactions concluded following auctions on organized markets, including on the electricity balancing market, electricity import and export transactions.

During the period 01 January 2023-31 March 2025, the mechanism for the centralized purchase of electricity (MACEE) was established.

Starting from 01 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 population, in Romania, a series of support schemes have been applied to consumers of electricity and natural gas, by establishing compensation and capping schemes between 01 November 2021 and 31 March 2025.

The following support mechanisms were implemented:

- GEO no. 118/2021, with subsequent amendments and additions - 1) compensation of household consumers for part of the electricity bill (01 November 2021 to 31 March 2022) - support measure completed but for which adjustments are being made; 2) exemption of several types of consumers from paying regulatory tariffs and other taxes/contributions (01 November 2021 to 31 January 2022) - support measure completed but for which adjustments are being made.
- GEO no. 27/2022, with subsequent amendments and additions - price capping for domestic and non-domestic consumers (01 November 2021 – 31 March 2025);

During the year 2022, with applicability in the year 2023, a series of legislative changes were made, with a significant impact on the electricity supply activity, as follows:

- Between 01 January 2023 and 31 March 2025, the capped final billed price of electricity supplied to household customers is 0.68 lei/kWh, including VAT (for certain categories of customers), 0.80 lei/kWh, including VAT, or a maximum of 1.3 lei/kWh, including VAT, depending on the actual consumption.
- Between 01 January 2023 and 31 March 2025, the final capped billed price of electricity supplied to non-household customers is 1 lei/kWh (for certain categories of customers) or a maximum of 1.3 lei/kWh, including VAT.
- Between 01 January 2023 and 31 March 2025, with regard to the price of natural gas, non-domestic customers are included as beneficiaries of the price capped at a maximum of 0.37 lei/kWh, including VAT.
- Between 01 January 2023 and 31 March 2025, the Centralized Electricity Purchase Mechanism (MACEE) is established.

The mechanism stipulates that 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, the operator of the electric energy transport system and 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 OPCOM's selling price 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 electricity are firm obligations of 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 01 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 consumption 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.

## 2.3. Summary of financial indicators

A summary of the main financial indicators is presented below:

- In the three month period ended 31 March 2023, EBITDA increased by RON 220.5 mn. as compared with the same period of 2022, recording a positive value of RON 169.8 mn. vs negative value of RON 50.7 mn. in previous year;
- The capital expenses in Q1 2023 were of RON 177.3 mn., increasing by approx. 53.4%, compared to RON 115.6 mn. in Q1 2022, in line with the annual evolution of the approved investment plans and the investment plan allocation throughout the year;
- The operating result in Q1 2023 is a loss of RON 6.6 mn., recording an increase of RON 168.1 mn. as compared with the same period of the previous year, when the Group recorded an operating loss of RON 174.7 mn.. The increase was mainly due to the distribution segment, where the decrease in electricity costs to cover the NL is caused by implementation of MACEE, to which is added the performance of the electricity supply segment significantly influenced by the increase in energy costs.
- The cost of electricity purchased slightly decreased by RON 30.0 mn., or 1.0%, to RON 2,842.5 mn. in the three month period ended 31 March 2023, compared to RON 2,872.5 mn. recorded in the comparative period, mainly as a result of the increase in the electricity purchase price on the supply segment to which is added the decrease in electricity costs for NL coverage for the distribution segment as a result of the implementation of MACEE;
- In Q1 2023, the revenue from the electricity supply segment decreased by RON 168.7 mn. y-o-y, or 7.6%, to RON 2,038.8 mn. (out of which RON 2,017.5 mn. external revenues), mainly as a result of net effect of rising selling prices with 3% and the decrease in the volumes of electricity distributed by approx. 9.4%; the contribution of the electricity supply segment to the Group's consolidated revenue is in proportion of 80.9%;
- Revenue from the distribution segment increased by RON 97.0 mn., or 12.8%, to RON 857.0 mn. (out of which RON 471.9 mn. external revenues), compared to Q1 2022; the contribution of the electricity distribution segment to the Group's consolidated revenue is of 18.9%.

## 3. Organizational Structure

### 3.1. Group 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 2032. 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.
- **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 subsidiary on 21 March 2022 as a result of ELSA owning 60% of shares. On 24 March 2023, ELSA bought the remaining shares up to 100%.
- **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 subsidiary 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 subsidiary 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 2. ELSA’s subsidiaries**

Subsidiary	Activity	Sole registration code	Headquarters	% shareholdings as of 31 March 2023
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	Bucharest	99,9998444099934%
Electrica Serv S.A. („SERV”)	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucharest	99,99998095%
Electrica Productie Energie S.A („EPE”)	Production of electricity	44854129	Bucharest	99,9920%
Electrica Energie Verde 1 S.R.L.* („EEV1” – former Long Bridge Milenium SRL)	Production of electricity	19157481	Bucharest	100%*
Sunwind Energy S.R.L.	Production of electricity	42910478	Bucharest	100%
New Trend Energy S.R.L. („NTE”)	Electricity generation	42921590	Constanta	60%
Green Energy Consultancy & Investments S.R.L. („GEC&I”)	Electricity generation	29172101	Bucharest	100%

Source: Electrica

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

As at 31 March 2023, the Company’s associates are the following:

**Table 3. ELSA’s associates**

Associate	Activity	Sole registration code	Head Office	% shareholdings as of 31 March 2023
Cucea Power Park S.R.L.	Production of electricity	25242042	Constanta	30%
Foton Power Energy S.R.L.	Production of electricity	43652555	Constanta	30%

Source: Electrica

- **Cucea Power Park S.R.L. („CPP”)** develops the wind project “Cucea 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 4. Long term investments owned by ELSA**

Company	Activity	Sole registration code	Head Office	% shareholding as at 31 March 2023
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.

## 3.2. The main elements of the Strategic Plan for the period 2019 – 2023

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 activities, 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 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 (decarbonization, 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 2022 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 - Distribuție Energie Electrică România 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 2023, EFSA will continue 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.

Also, within the priority measures of modernization and adaptation of internal information systems we will continue 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**

The plan for the next period contains an in-depth multicriteria analysis of the company's activities and highlights the underlying 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 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”.

### **Electricity production segment**

In **electricity production segment**, the Group wants to develop a portfolio of electricity production capacities from renewable sources (wind and photovoltaic) with a cumulative capacity of 400 MW, in parallel with electricity storage capacities with a installed capacity up to 100 MW.

## **3.3. Key information by segments**

### **Supply segment**

#### **Market data (according to ANRE Report for December 2022)**

- The supply market consists of the competitive segment, universal service (US) and last resort (LR);
- The universal and last resort service segment includes six providers of last resort designated at national level;
- The competitive segment includes 94 suppliers (including those of last resort with activity on the competitive segment of the retail market), of which 86 are relatively small (<4% market share).

In December 2022, EFSA is the market leader with a share of 17.96%; is also the leader on the LR market, with a market share of 31.21%, on the competitive market with a share of 12.79% (according to ANRE December 2022 report). Comparatively, in 2021, EFSA had a market share in the total electricity market of 18.42%; LR market share of 30.59% and a competitive market share of 12.72% (ANRE report for December 2021).

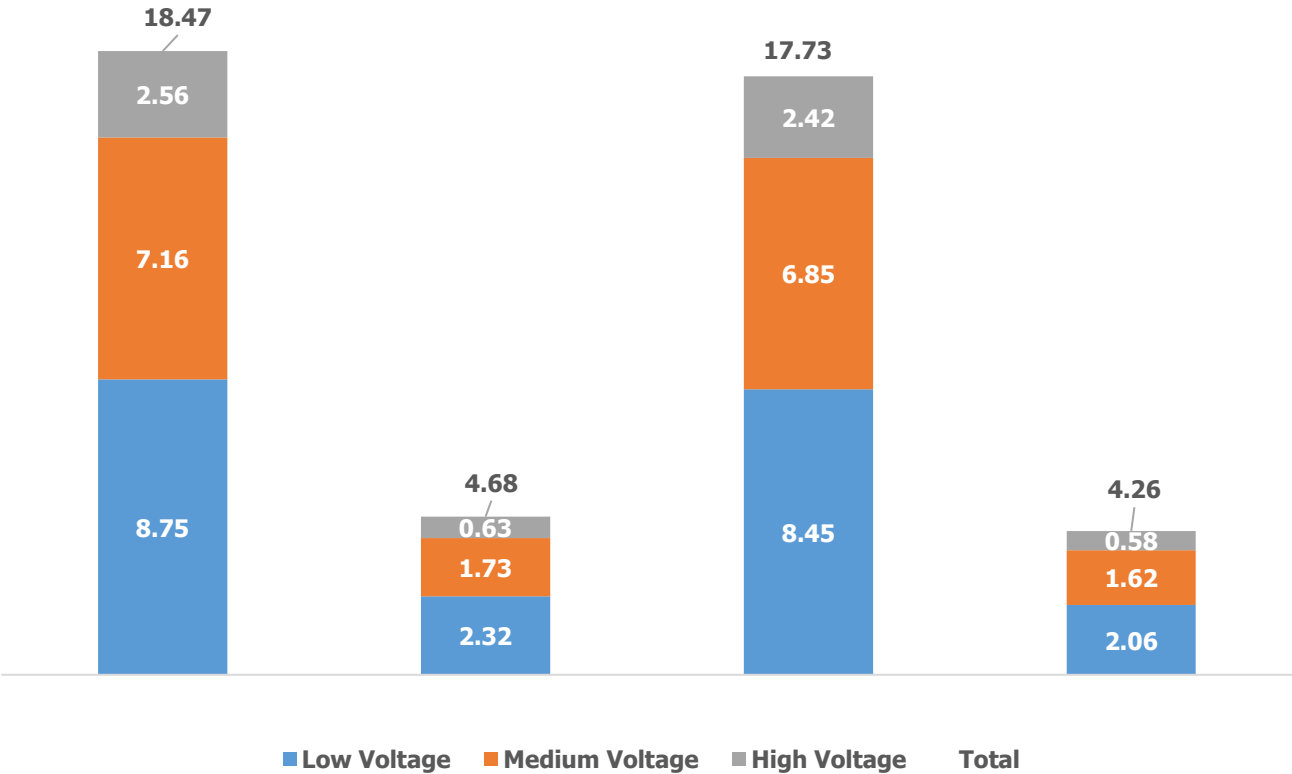
On 31 December 2022, the Group supplied 8.6 TWh of electricity to approximately 3.5 million places of consumption (both in the universal service regime and last resort, as well as on the competitive market), representing a decrease of 9% compared to the same period of the previous year.

### **Distribution segment**

#### **Information for the period ended 31 March 2023**

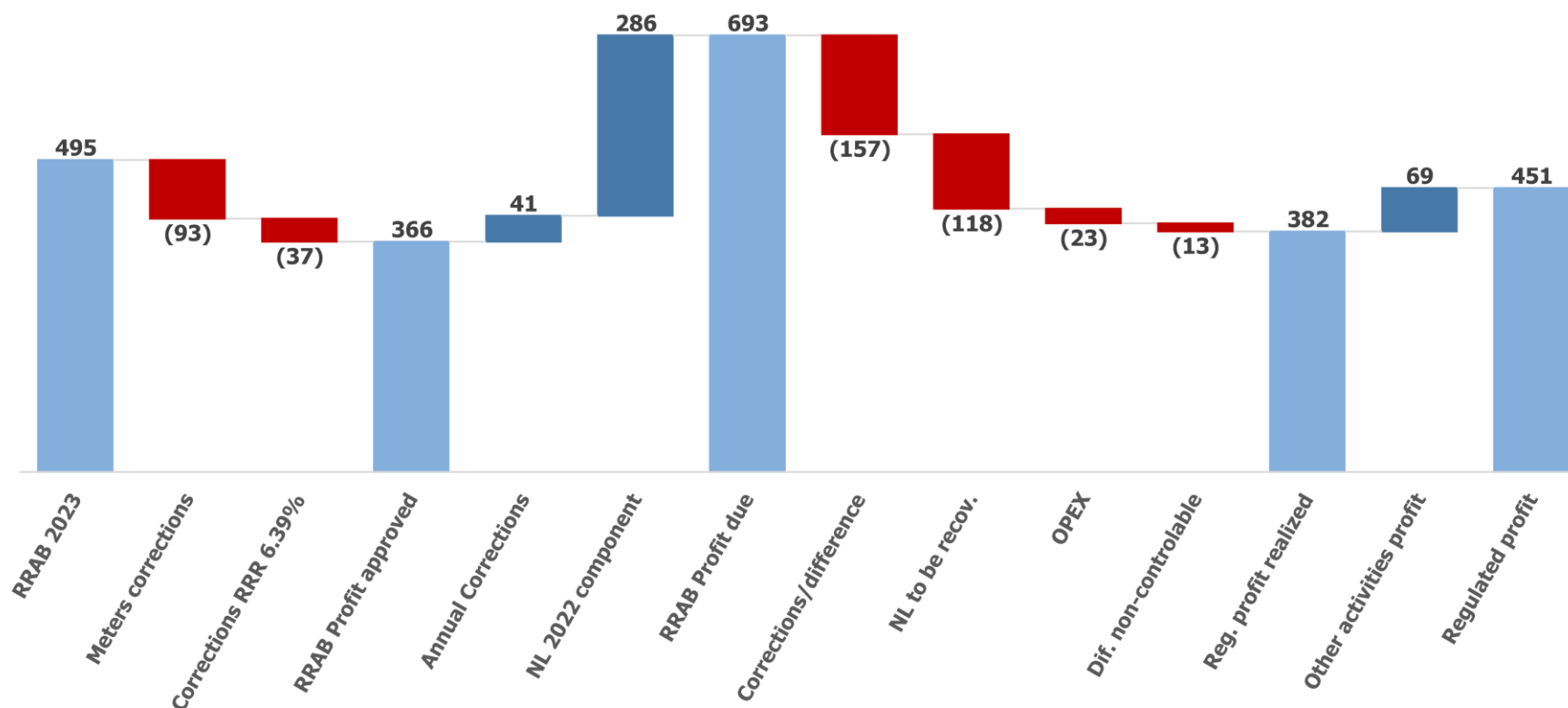
- The estimated Regulated Assets Base (RAB), in nominal terms, with inflation of 13.69% for the year 2023, estimated at the end of the first quarter of the year 2023 was RON 6.9 bn.
- 202,428 km of electric lines – 7,603 km for High Voltage (“HV”), 46,621 km for Medium Voltage (“MV”) and 148,204 km for Low Voltage (“LV”)
- Total area covered: 97.196 km<sup>2</sup>, 40.7% of Romania’s territory
- 3.9 mn. users for the distribution activity
- 4.26 TWh of electricity distributed in the first quarter of the year 2023, a decrease of 9% as compared to the first quarter of the year 2022.

Figure 1: Quantity of electricity distributed on voltage levels (TWh)



Source: Electrica

Figure 2: RRAB analysis of the distribution segment result for the year 2023 (RON mn.)



Source: Electrica

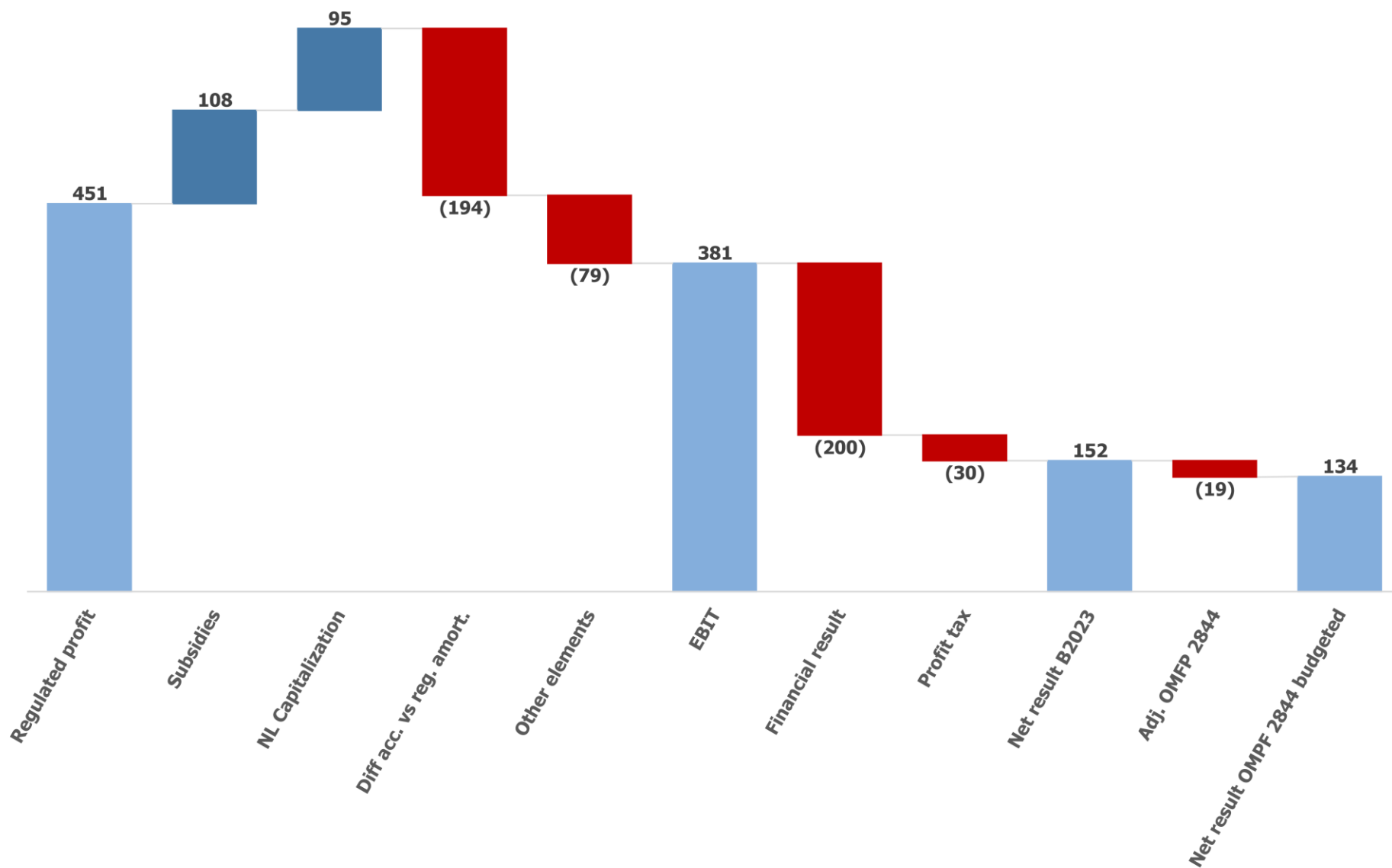
\*The corrections for 2022 have not yet been approved by ANRE, they will be reflected in the 2024 tariffs

#### Relevant regulatory issues:

- At the beginning of the current PR4 regulatory period, ANRE made a total negative correction to close PR3 in the amount of RON (855) mn. (nominal terms), respectively RON (665) mn. (2018 terms), of which RON (341) mn. (2018 terms) for 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 RAB 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 (171) mn. (nominal terms).
- RON 451 mn., regulated result includes a negative deviation of the NL cost of RON 118 mn. (calculated for the quantity of 1,884 GWh and the price difference of 63 RON/MWh (533 RON approved and 596 RON budgeted)).



Figure 3: Analysis of regulated profit - OMFP 2844 budgeted result for the distribution segment for the year 2023 (RON mn.)

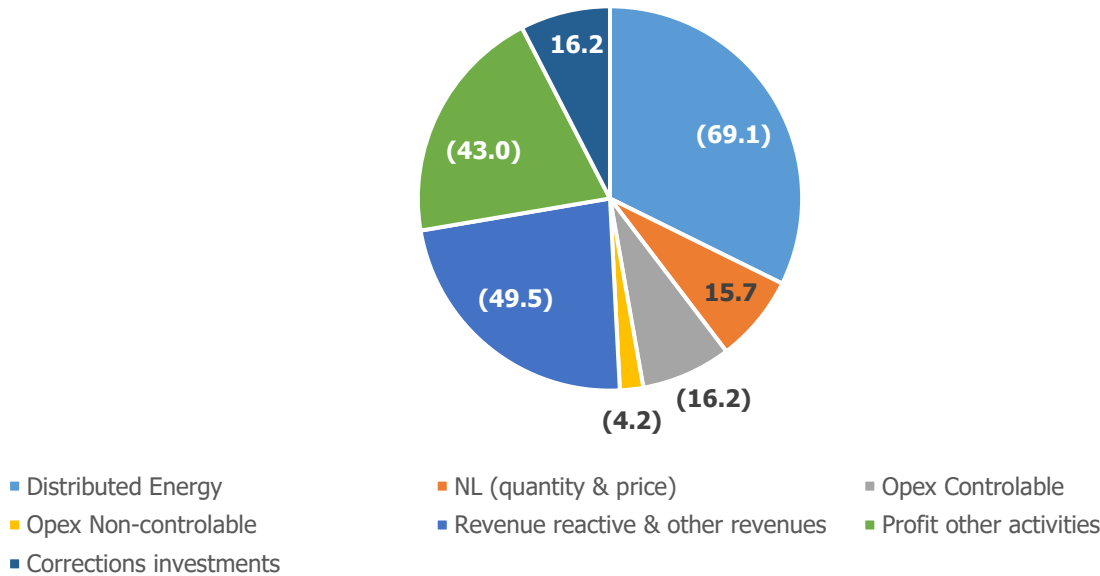


Source: Electrica

The corrections approved by ANRE that affect the tariffs for the year 2023 are positive in the amount of RON 290 mn., of which the negative corrections related to the year 2021 of RON 150 mn. are reflected by components in the graph below:

**Figure 4: Corrections approved by ANRE that affect the tariffs for the year 2023 (RON mn.)**

**Negative corrections of RON 150 mn. related to 2021**



Source: Electrica

To the negative corrections related to the year 2021, are added the positive corrections of RON 154 mn. related to the years 2022 and 2023, but also the positive correction of RON 286 mn. related to the component for the additional cost of NL capitalized in the year 2022

## 4. Shareholders' 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 March 2023, the ownership structure according to the Central Depository records (Romanian: *Depozitarul Central*) is presented below.

**Table 5. 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	2,146,952	0.6197%	0.6323%
Other legal entities*	130,878,732	37.7778%	38.5444%
Individuals	20,125,749	5.8092%	5.9271%
<b>TOTAL</b>	<b>346,443,597</b>	<b>100.0000%</b>	<b>100.0000%</b>

Source: Central Depository, Electrica

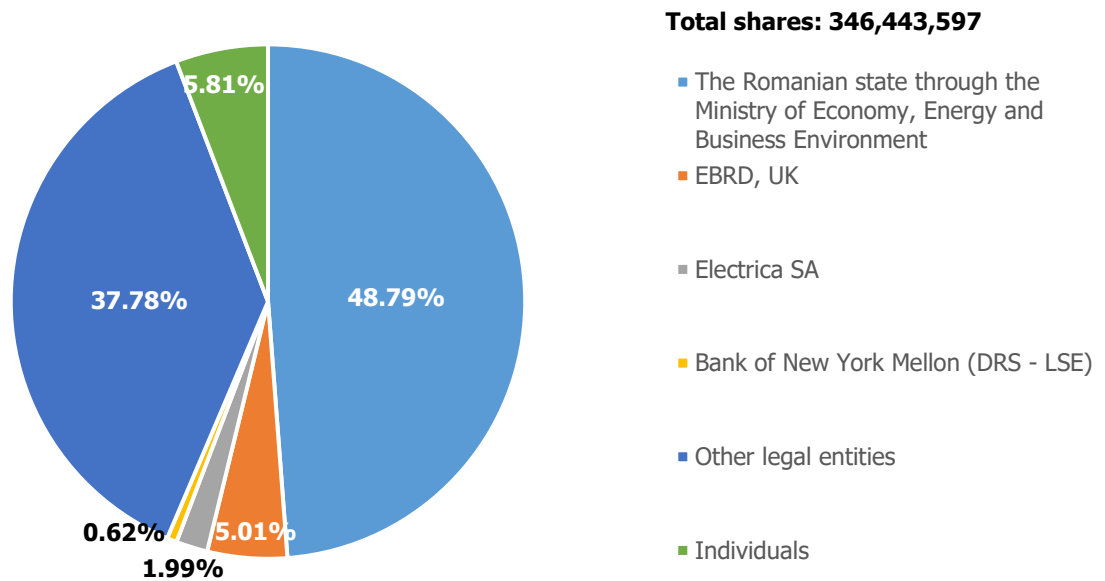
Note 1: Shares with voting rights - 339,553,004, representing the total number of shares (346,443,597) without the number of own shares held by Electrica (6,890,593), for which the voting right is suspended

\* 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 5: Ownership structure as of 31 March 2023**



Source: Central Depository, Electrica

At the end of March 2023, ELSA's shares were owned by a total of 12,544 shareholders, of which 253 legal entities and 12,291 individuals from 22 countries. 91.36% of the total number of shares (316,531,229 shares) were owned by investors with residence in Romania. Thus, foreign shareholders held 8.63% of the share capital (29,912,368 shares), the largest weight being represented by European citizens. Shareholders in the United Kingdom and Ireland held 5.11% of share capital, while those in the USA held 1.12%, in this category being included also the GDRs holders.

## 5. Operational Results

The following table presents the the condensed consolidated statement of profit or loss.

**Table 6. Consolidated statement of profit or loss (RON mn.)**

Indicator	31 March 2023 (not reviewed or audited)	31 March 2022 (not reviewed or audited)	Variation (abs)
Revenues	2,495.0	2,579.0	(84.0)
Other income	1,016.5	679.0	337.5
Capitalised costs of intangible non-current assets	21.1	-	21.1
Electricity and natural gas purchased	(2,842.5)	(2,872.5)	30.0
Construction costs related to concession agreements	(171.3)	(108.3)	(63.0)
Employee benefits	(206.8)	(187.6)	(19.2)
Repairs, maintenance and materials	(30.6)	(25.5)	(5.1)
Depreciation and amortization	(176.4)	(124.0)	(52.4)
Other operating expenses	(111.6)	(114.9)	3.3
<b>Operating result</b>	<b>(6.6)</b>	<b>(174.7)</b>	<b>168.1</b>
Finance income	6.5	0.4	6.1
Finance costs	(71.0)	(18.1)	(52.9)
<b>Net finance cost</b>	<b>(64.4)</b>	<b>(17.7)</b>	<b>(46.7)</b>
Share of the result of the associates	-	-	-
<b>Result before tax</b>	<b>(71.1)</b>	<b>(192.4)</b>	<b>121.3</b>
Income tax benefit/(expense)	4.4	34.7	(30.3)
<b>Net result</b>	<b>(66.6)</b>	<b>(157.8)</b>	<b>91.2</b>

Source: Electrica

### Key financial indicators for the period ended 31 March 2023:

- **Revenues: RON 2.5 bn.**, decrease of RON 84.0 mn. as compared with Q1 2022;
- **EBITDA: RON 169.8 mn.**, a RON 220.5 mn. increase compared to same period of last year;
- **EBIT: RON -6.6 mn.**, a RON 168.1 mn. increase compared to Q1 2022;
- **EBT: RON -71.1 mn.**, improved by RON 121.3 mn. compared with Q1 2022;
- **Net result: loss of RON -66.6 mn.**, a RON 91.2 mn. y-o-y increase.

### Revenues and other income

Electrica's revenues and other income for the three month period ended 31 March 2023 and 31 March 2022 amounted to RON 3,511.5 mn. and RON 3,258.0 mn., respectively, representing an increase of approx. RON 253.5 mn., or 7.8%; the variation is generated mainly by the operating income evolution, mainly subsidies (represent

values to be recovered as a result of the application of the capping of electricity prices) recognized by EFSA. Other operating income registered in Q1 2023 compared to Q1 2022, an increase of RON 337.5 mn., of which RON 354.9 mn., recoverable subsidies from the Ministry of Energy, as a result of the application of the mechanism for capping energy prices electricity and natural gas approved by Order no. 119/2022 (which amended the Order no. 118/2021 and Order no. 27/2022).

Starting with 01 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 population, in Romania, a series of support schemes have been applied to consumers of electricity and gas, by establishing compensation and capping schemes between 01 November 2021 and 31 March 2025.

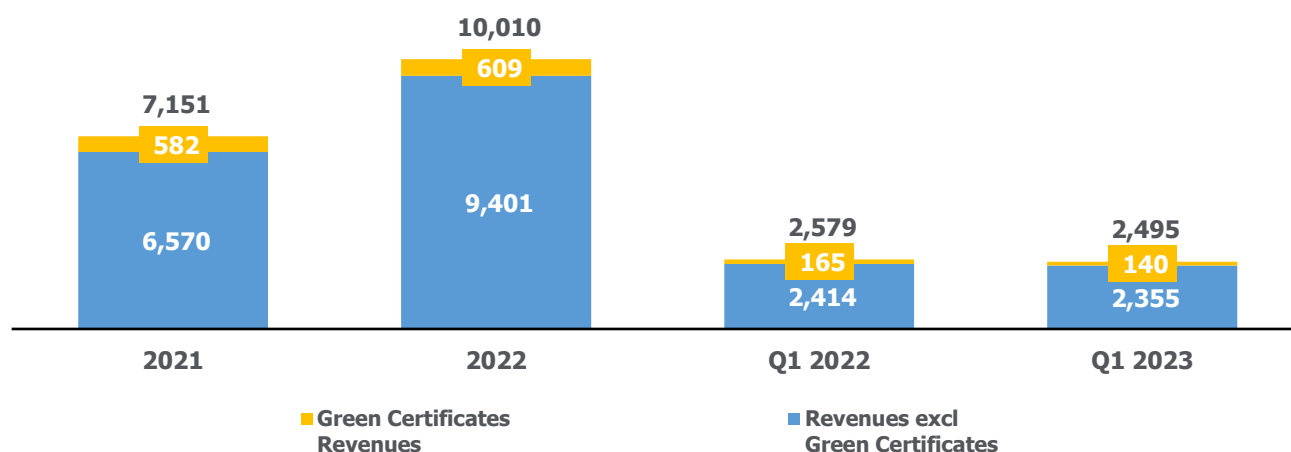
During 2023, a series of legislative changes were made, with a significant impact on the electricity supply activity, as follows:

- Price capping for domestic and non-domestic consumers (01 November 2021 – 31 March 2025). The compensated amounts 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.
- Limiting the average purchase price 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;
- Limitation of the allowed supply component to:
  - Electricity - SoLR ("Supplier of last resort") 80 lei/MWh and Non SoLR 73 lei/MWh;
  - Natural gas – SoLR 13.5 lei/MWh and non SoLR 12 lei/MWh;
- Contribution to the Energy Transition Fund for suppliers who carry out trading activity and aggregators who trade quantities of electricity and/or natural gas on the wholesale market = (Average sale price – Average purchase price x 1.02) x Quantity delivered monthly;
- The obligation of natural gas producers to sell at the price of 150 RON/MWh the quantities necessary to supply household customers/heat energy producers;
- Obligation to store natural gas underground of a minimum stock of natural gas at the level of 90% of the storage capacity of the warehouses. The minimum stock of natural gas for each supplier is determined according to the weight of the quantity of each supplier in the total quantity estimated at the national level (ANRE Order 10/2023).



## Revenues

Figure 6: Revenue for Q1 2023 and comparative information (RON mn.)



Source: Electrica

The revenues decreased by RON 84.0 mn., or 3.3%, being the net effect of the following main factors:

- decrease of RON 168.7 mn. on the supply segment;
- internal revenue (from the Group): the Group's revenues increased by RON 14.4 mn.;
- RON 97.0 mn. increase of the distribution segment's revenues;
- increase of RON 3.1 mn. on the services segment;
- decrease of RON 1.0 mn. on the production segment.

During the three months period ended 31 March 2023, revenues from the electricity distribution segment increased by approx. RON 97.0 mn., or 12.8%, to RON 857.0 mn., from RON 760.0 mn. in the same period of the previous year, as a result of the following factors:

- favorable impact of approx. RON 32.0 mn., mainly from the rise in the distribution tariffs by an average of 4% (percentage that does not include inflation), compared to Q1 2022, positive effect reduced by the decrease in the volumes of electricity distributed by approx. 9%;
- favorable impact from the evolution of revenues recognized in accordance with IFRIC 12 - the revenues from electricity distribution segment are influenced by the recognition of investments into the network under concession agreements, these revenues increasing in Q1 2023 by RON 64.9 mn., compared to the same period last year.

As a result of GEO 28/2023, starting with Q2 2023, distribution tariffs will be higher by approx. 20% (26.1% in the MN area, 21.5% in the TN area and 10.9% in the TS area); compared to the same period of the previous year, implicitly the revenues from electricity distribution will be higher, with a favorable impact on the operational performance for the distribution segment. The tariffs applicable starting with 01 April 2023 will not change until 01 April 2024.

Also, at the beginning of the current PR4 regulatory period, ANRE made a total negative correction to close PR3 in the amount of RON (855) mn. (nominal terms), respectively RON (665) mn. (2018 terms), of which RON (341) mn. (2018 terms) for 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 RAB 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 (171) mn. (nominal terms).

Regarding the supply segment, the revenue from the electricity supply and natural gas decreased by RON 168.7 mn., or 7.6%, to RON 2,038.8 mn., from RON 2,207.5 mn. in Q1 2022.

The variation of the supply segment revenue is mainly driven by the net effect between the 3% retail sale price increase in the retail market and the 9.4% fall in the volumes of electricity supplied on the retail market.

The green certificates value included in final consumer invoice, set by ANRE, decreased from RON 72.54/MWh in Q1 2022 to RON 71.68/MWh in Q1 2023.

### **Electricity and gas purchased**

In Q1 2023, the expense for electricity and gas purchased decreased by RON 30.0 mn., or 1.0%, to RON 2,842.5 mn., from RON 2,872.5 mn. in the comparative period.

This variation is the net impact of the increase of electricity costs on the supply segment, and by the decrease in electricity costs for NL coverage on distribution segment.

The table below presents the structure of the electricity and gas purchased expenses for the indicated periods:

**Table 7. Structure of the electricity and gas purchased expenses (RON mn.)**

<b>Three month period ending 31 March (RON mn)</b>	<b>2023</b>	<b>2022</b>	<b>%</b>
Electricity purchased to cover network losses	377.4	693.2	-45.6%
Electricity and gas purchased for supply	2,252.4	1,942.2	16.0%
Transmission and system services related to supply activity	72.6	72.5	0.1%
Green Certificates	140.0	164.5	-14.9%
<b>Total electricity purchased</b>	<b>2,842.5</b>	<b>2,872.5</b>	<b>-1.0%</b>

Source: Electrica

The cost of the electricity purchased for supply (including transmission and system services) increased by RON 286.1 mn., or 13.1%, to RON 2,465.1 mn. in Q1 2023, from RON 2,179.3 mn. recorded in Q1 2022.

Following the overtaxation of energy producers and the redirection to the Energy Transition Fund of 98% of the profit obtained from the resale of energy in the wholesale market by suppliers/traders, the purchase price on the Day-Ahead Market (DAM) recorded a decrease in Q1 2023 by approximately 41% compared to the similar period of 2022, maintaining the same downward trend in the following period as well.

In 2021, after the complete liberalization of the energy market, the purchase prices were approximately the same both on the competitive segment and on the universal service and SoLR segment. The acquisition market registered since the end of March 2021, significant increases, manifested at international level and determined by the international economic and political context. Thus, the growth registered in the acquisition market was transferred to the final clients, within the limits allowed by the legislation in force and by the contracts concluded with the final client.

It should be noted that energy suppliers are unable to terminate existing contracts according to the Law on Electricity and Natural Gas no. 123/2012, based on Article 57.

Green certificates' (GC) cost is recognized in the statement of profit and loss based on the quantitative quota set by the regulatory authority and influenced by GC amount that the Group has to purchase for the current year and GC purchase price on the centralized market. The green certificates cost is a pass-through cost.

In order to fulfil the legal obligations for the acquisition of green certificates (GC) and considering the observance of the Internal Procurement Procedure, in the first quarter of 2023, the cost of GC acquisition decreased by RON 41,884 mn. (decrease from RON 151,823 mn. to RON 109,939 mn.), respectively a decrease of 27.59% compared to the same period of 2022.

This variation was determined by the following:

- the decrease of the quota estimated by ANRE for the acquisition of GC of 1.4% (from 0.5014313 GC/MWh in 2022, to 0.4943963 GC/MWh in 2023).
- the decrease by 26.81% of the amount of electricity invoiced, used at the rate of the first quarter of 2023 (the electricity invoiced in the first quarter of 2022 was 2,096,279.108 MWh, while the one invoiced in the first quarter of 2023 was 1,534,352.425 MWh).

Regarding the distribution segment, in the three month period ended 31 March 2023, the cost of the electricity purchased to cover network losses decreased by RON 315.8 mn., or 45.6%, to RON 377.4 mn., from RON 693.2 mn., the evolution being generated both by a significant decrease in the electricity purchase prices as a result of the implementation of the centralized purchase mechanism MACEE, according to which the producers have the obligation to sell 80% of the available energy at a price of 450 lei/MWh (positive effect of RON 343 mn.) and higher volumes of electricity needed to cover network losses (negative impact of RON 27 mn.).

Starting with 2022, according to GEO no. 119/2022, the additional costs of the purchase of electricity (determined as the difference between the realized costs and the costs included in the approved distribution tariffs), realized between 01 January 2022 – 31 March 2025, compared to the costs included in the regulated tariffs, are capitalized quarterly and are 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 distinct component in the regulated tariffs, called the component related to additional costs with NL. Also, ANRE developed the Methodological Norms regarding the recognition in tariffs of the additional costs with the purchase of electricity to cover the own technological consumption compared to the costs included in the regulated tariffs, with the aim of establishing the way of substantiating the additional costs with the purchase of electricity for NL coverage as well as the conditions for their recognition in the regulated income on the basis of which the distribution tariffs are established.

According to the Emergency Ordinance no. 153/2022, between 01 January 2023 and 31 March 2025, the mechanism for the centralized purchase of electricity is established, with OPCOM being designated as the sole purchaser. The distribution operators buy from OPCOM through an annual/monthly mechanism 75% of the quantity forecasted and validated by ANRE at the price of 450 lei/MWh, and the producers will sell to OPCOM through an annual/monthly mechanism 80% of the quantity forecasted and validated by ANRE and Transelectrica at the price of 450 lei/MWh.

### **Construction costs**

In Q1 2023, the expenses with the construction of the electrical networks in connection with the concession contracts increased by RON 63.0 mn., or 58.2%, to RON 171.3 mn., from RON 108.3 mn. in the comparative period, being correlated with the evolution of the investments realized, related to the Regulated Asset Base, and the allocation of the investment plan throughout the year.

### **Employee benefits**

The expenses for salaries and employee benefits increased by RON 19.2 mn, or 10.2%, to RON 206.8 mn. in Q1 2023, from RON 187.6 mn. in Q1 2022, determined mainly from the increase of benefits negotiated through CCM.

### Repairs, maintenance and materials

In Q1 2023, the expenses with repairs, maintenance and materials recorded an increase of RON 5.1 mn., compared with the same period of the previous year, both from the evolution of the meteorological conditions with impact in the distribution segment, and from the increase of the expenses with the materials necessary for the new activities carried out by the energy services company.

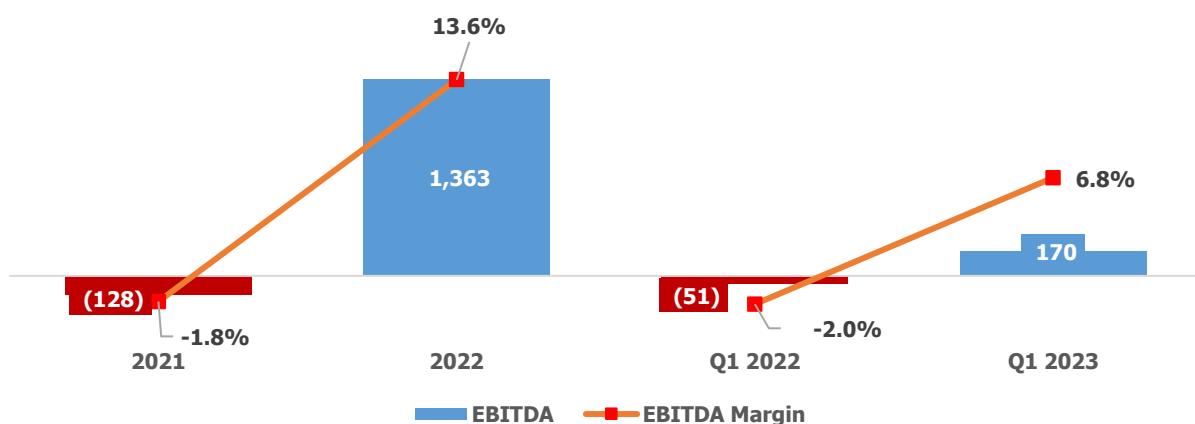
### Other operating expenses

In the first three months of 2023, the other operating expenses decreased by RON 3.3 mn., or 2.8%, to RON 111.6 mn., from RON 114.9 mn. in the same period of 2022, mainly from:

- the variation of the impairment loss on trade and other receivables, which has a positive impact of RON 11.1 mn. in Q1 2023;
- the favorable effect of the net change in provisions, of approx. RON 2.3 mn.;
- higher operating expenses by RON 10.1 mn., especially on the supply segment.

### EBITDA and EBITDA margin

Figure 7: EBITDA and EBITDA margin for Q1 2023 and comparative information (RON mn. and %)

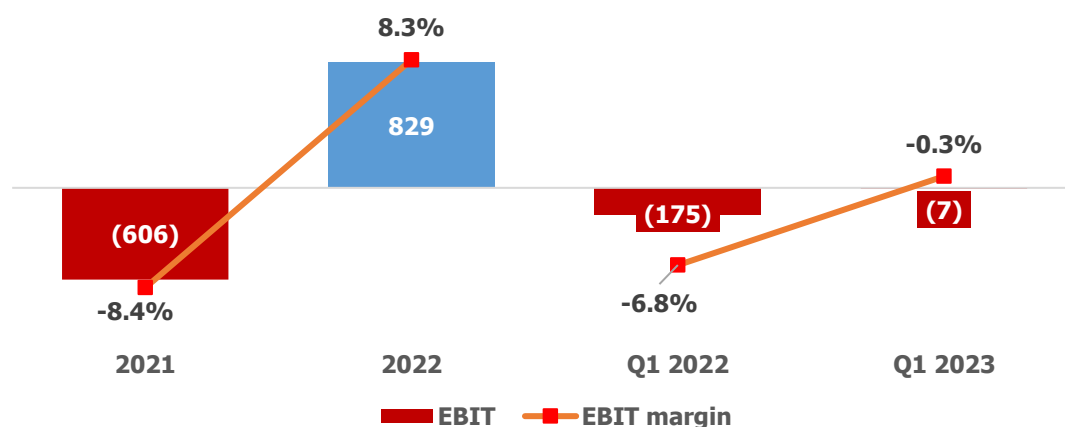


Source: Electrica

### Operating result

The Group operating result (EBIT) increased by approx. RON 168.1 mn. y-o-y, the positive evolution of EBIT is generated by the increase in revenues being mainly alleviated by the increase of depreciation expense by RON 52.4 mn., or 42.3% (of which RON 27 mn. representing the depreciation related to two capitalized assets for NL 2022).

**Figure 8: EBIT and EBIT margin for Q1 2023 and comparative information (RON mn. and %)**



Source: Electrica

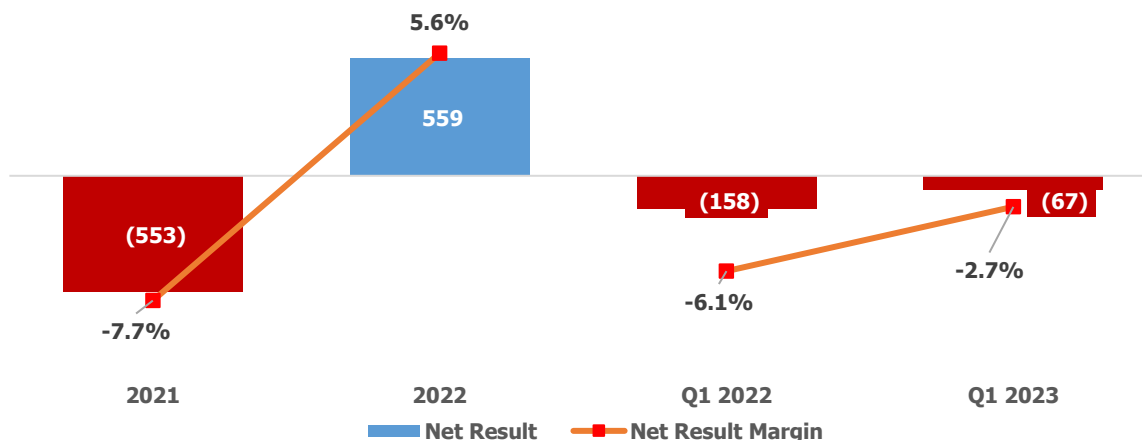
### Net finance cost

The net finance cost at group level increased by RON 46.7 mn. in Q1 2023 compared to the similar period in 2022, mainly as a result of the increase of finance expenses of RON 52.9 mn. related to loans for pre-financing the support scheme for electricity and natural gas consumers established by GEO no. 119/2022.

### Net result for the period

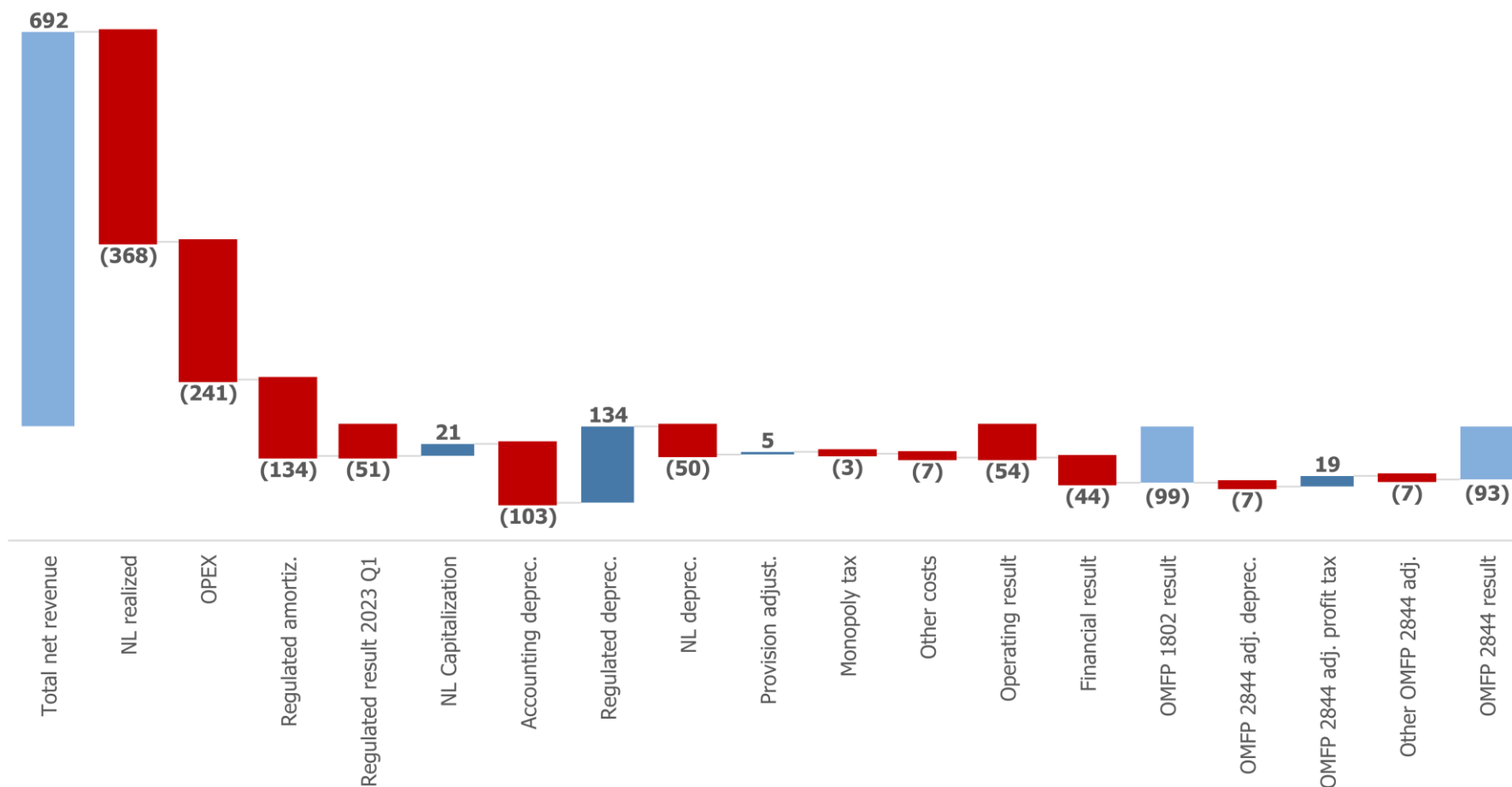
As a result of the above described factors, in the three months period ended 31 March 2023, the net result increased by RON 91.2 mn., to RON -66.6 mn. (loss), from RON -157.8 mn. (loss) as compared with the similar period from previous year.

**Figure 9: Net result and Net result margin for Q1 2023 and comparative information (RON mn. and %)**



Source: Electrica

**Figure 10: Analysis of regulated net result - OMFP 1802/2014 - OMFP 2844/2016 for the distribution segment at Q1 2023 (RON mn.)**



Source: Electrica

The negative regulated result of RON (51) mn. does not include the effect of the capitalization of the negative deviation of the cost of NL - in realized values this was RON 21 mn., determined for the amount of NL realized in the first quarter of 2023. The additional cost with NL compared to the cost recognized in the capitalized tariffs for the first quarter of 2023, in the amount of RON 21 mn., was determined using amounts recognized for the year 2023, according to the provisions of ANRE Order no. 129/2022.

## 6. 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 09 March 2022, Romania is no longer on alert due to COVID 19, so the restrictions in the alert state later became recommendations.

Electrica Group operates 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. This aspect is even more important as during the following period it is necessary to continue to support the measures of social distancing, the need for remote intervention and back-up, as very relevant aspects for its activities. 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:

- Volatility of electricity price, with an accentuated increasing trend - correlation of exogenous factors to the industry - tightening of the environmental conditions in which producers must operate, limiting primary energy sources through imperative policies, the lack of policies to stimulate the emergence of new producers – as well as some endogenous ones - the tendency to sell only for short periods and congestion in the balancing and peak area - accentuates price volatility and the increasing trend;
- The ascending evolution, extremely fast, of the trading prices in the wholesale market for electricity and natural gas, both in Romania and in the rest of European countries in the fourth quarter of 2021 as well as in the first 3 months of 2022, has a significant impact on to all market participants and leads to their strategic changes / repositioning in the medium and long term.
- Increased competition between the players in the electricity supply market at national level, especially in terms of diversifying the portfolio of products offered to customers (offers for natural gas, insurance, home appliances etc.) and digital services offered (mobile applications, invoices and online payments, extending the customer service through chat solutions); the supply market liberalization imposed the priorities' rethinking and establishing strategies for maintaining the market share;
- The new legislation introducing provisions related to the non-regulated market transactions, will also influence the electricity market and future strategies of the SoLR regarding portfolios' management. At the same time, the tendencies to cap the prices to the final consumer, in the case of SoLR, represent a risk that must be managed properly;
- 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 8. 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. The increase of electricity consumption was a constant trend in Romania in the last years. The COVID-19 pandemic has temporarily reduced electricity consumption, but the general upward trend will be maintained.	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
Changes in regulatory framework	Approved schemes to support customers in the payment of electricity / gas bills, with initial application between 01 November 2021 – 31 March 2022, which granted price caps, compensation for household customers and exemptions for SMEs, subsequently extended for the period 01 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. As of 2022, the new <i>Performance Standard for electricity/gas supply</i> was enforced, bringing higher quality requirements for the supply of electricity, as well as higher obligations concerning the compensation of customers, including the obligation to pay compensations to all categories of customers in case of breach of quality standards. Starting with 01 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. Starting from 06 February 2023, the new Regulation for the supply of electricity to final customers entered into force, bringing a series of novelties with an impact on the supply activity (i.e. supply contract with dynamic prices).	Electricity prices

Key drivers	Description	Impact on
	<p>The new framework contract for the supply of electricity in the universal service regime is approved, an order that also includes the unique invoice model.</p> <p>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).</p> <p>The methodological norms approved by ANRE in October 2022 allow the capitalization starting from 2022 of the additional cost with NL compared to the price recognized in the tariffs.</p> <p>The distribution performance standard brought changes in 2022 regarding the compensations granted to customers (10 lei/customer) for not reading the meter indexes on time (domestic 3 months; non-domestic 6 months, prosumer 1 month).</p> <p>As regards the connection of users, the Energy Law was amended in the period 2020-2022, so that: in 2021, OD financed the works of connecting domestic and non-domestic customers with lengths of less than 2.5 km, and starting with 2022, the free service for non-households was eliminated, and for households the obligation to finance by the OD only a connection in the average value established by ANRE was maintained.</p>	
The evolution of the electricity price in the market	The weighted average price for transactions concluded on DAM for the first quarter of 2023 decreased by 42% compared to the first quarter of 2022. Between 1 January 2023 and 31 March 2025, the mechanism for the centralized purchase of electricity is established, and OPCOM is appointed sole purchaser.	Electricity prices
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.	Electricity prices and consumption, regulatory framework

Source: Electrica

## The regulatory framework perspective and the impact on the energy market

### Supply segment

The regulatory changes with significant impact in the **supply segment** are the following:

- The application, between 01 November 2021 and 31 March 2025, of the support schemes for electricity/natural gas customers, introduced by GEO no. 118/2021, approved by Law no. 259/2021 with subsequent changes and additions, GEO no. 27/2022, with subsequent amendments and additions, approved by Law no. 206/2022 and GEO no. 119/2022, approved by Law no. 357/2022, in the context of the price increase on the electricity and natural gas markets at the international and national level, as well as the effects caused by these increases for the Romanian population. The way of implementing these schemes, respectively through the suppliers, and, above all, the settlement mechanism of the amounts granted as support to clients, ex post, from the state budget to the electricity/natural gas suppliers, are of the nature of generating constraints from the point of view of the cash flow, as well as uncertainties regarding the full recovery of the respective amounts by the suppliers;
- The entry into force of the new Regulation for the supply of electricity to final customers, approved by ANRE Order no. 5/2023 by which new notions were introduced regarding the supply contract with dynamic prices (obligation to make an offer/contract with dynamic prices for EFSA) and active customers with new obligations for the supplier (existing condition of the supply contract for both the place of consumption as well as for place of consumption and production); were included among the facilities granted to the vulnerable client and the

deferment of the invoice payment, upon request, for a period of at least 3 months.

- Modification and completion of the Regulation regarding the supply of natural gas to final customers, approved by ANRE President's Order no. 29/2016 (definitions were introduced for each of the components of the final invoiced price; it was stipulated that in the case of vulnerable customers it would be possible to pay the invoice in installments, upon request, over a period of at least 3 months or agreed by the parties; have correlated the provisions of the Regulation with those of Order 3/2022 - POSF; the mandatory information to be included in the invoice has been updated, establishing the essential priority information that must be entered on the first page of the invoice, so that the end customer knows the invoiced consumption and how much they have to pay for it, and on the second page of the invoice to detail this priority information) and the amendment ANRE Order no. 106/2014 regarding the methods of informing end customers by natural gas suppliers regarding the commercial conditions of natural gas supply.
- Approval of the framework contract for the supply of electricity in the universal service regime, the general conditions for the supply of electricity in the universal service regime and the invoice model applicable to household customers by ANRE Order no. 13/2023. The fact that the invoices issued by electricity suppliers to household customers for electricity consumption made starting from April 2023 will have to comply with the invoice model (the color, type and size of the font can be determined by the suppliers) and the fact that until the date of 31 March 2024, electricity suppliers that have universal service customers in their portfolio will communicate the new electricity supply contracts to customers, which will lead to additional costs.
- Approval of ANRE Order no. 16/2023 for the amendment and completion of the Regulation on the last resort supply of natural gas, which amended the provisions relating to the natural gas distribution contract that SoLR is obliged to conclude with the distribution operators, Annex no. 5, respectively the takeover request model, Annex no. 6 - The method of appointing the SoLR for places of consumption with an annual consumption of more than 28,000 MWh of each PET for the situation where they have not ensured the supply of natural gas to cover the consumption requirement, fully or partially, during the period of application of the support scheme, a mechanism was created through which, during the application of the support scheme approved by GEO 27/2022, for consecutive periods of 12 months starting from 01 April 2023 – 31 March 2024, ANRE appoints SoLR, among those already appointed, for the places of consumption with an annual consumption of more than 28,000 MWh of each PET where thermal energy is produced.

For the supply segment, the legislative changes brought about by the support scheme, namely the granting of ceilings between 01 November 2021 and 31 March 2025, significantly reduced the migration of customers from and to other suppliers, price ceilings eliminating competition from the electricity retail market and natural gases.

### **Distribution segment**

For the **distribution segment**, the significant changes in the Romanian legislation were detailed *at chapter 2.2. Subsequent Events*.

In 2022, according to the Government's emergency ordinance (OUG) no. 119/2022, the additional costs for the purchase of electricity (determined as the difference between the realized costs and the costs included in the approved distribution tariffs), realized between 01 January 2022 and 31 August 2023, in order to cover the NL, compared to the costs included in the tariffs regulated (and not only loans), 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 distinct component in the regulated tariffs, called the component related to additional costs with NL. Also, ANRE developed the Methodological Norms regarding the recognition in tariffs of the additional costs with the purchase of electricity to cover the own technological consumption compared to the costs included in the regulated tariffs, with the aim of establishing the way of

substantiating the additional costs with the purchase of electricity for NL coverage as well as the conditions for their recognition in the regulated income on the basis of which the distribution tariffs are established.

According to Emergency Ordinance no. 153/2022, between 1 January 2023 and 31 March 2025, the mechanism for the centralized purchase of electricity is established, with OPCOM being designated as the sole purchaser. The distribution operators ("DO") will buy from OPCOM through an annual/monthly mechanism 75% of the quantity forecast and validated by ANRE at the price of 450 lei/MWh, and the producers will sell to OPCOM through an annual/monthly mechanism 80% of the quantity forecasted and validated by ANRE and Transelectrica at the price of 450 lei/MWh.

### **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 absorption merger between SERV and SEM, the segment includes the activity of energy services 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 EFSA 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 segment**

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 of planning activities for the operation of EPE subsidiary, phased in line with the development and implementation schedule of energy generation and storage projects.

## **The human resources area perspective**

From the analyzes used in the elaboration of the human resources strategy, as well as from more recent analyzes, the labor market faces new challenges, as demographic developments, labor migration, and the evolution of the economy will accentuate the shortage of skilled labor. Also, the acceleration of digitization, generated by the pandemic context, the inherent technological changes, as well as the process of succession to a new generation, inherent at the Group level, will determine the transition to new profiles for employees that include a mix of skills and, at the same time, real challenges in recruiting new employees with a high level of expertise in the near future.

Electrica Group operates in a competitive market, where the technological progress is very fast and at a time when the approach of companies and employees is changing towards the work process, as it was defined in the past. Salary packages are no longer the only motivational lever. Non-financial benefits and the organizational climate, are increasingly important to attract employees and retaining the valuable ones.

Career opportunities, broadening the area of competence and assigning more significant responsibilities must be part of the strategies and tools used. At the same time, at the Group level, the provision of the necessary human resources and the staff training in key business areas were treated as priority topics, in order to increase labor productivity and individual performance.

The human resources strategy took into account these aspects and, through the proposed projects, aimed at reducing the impact of the negative aspects in the retaining and development of the human resource.

At the same time, considering the evolution of the financial and operational performance, registered during the past years, as well as the transformations and the trends of the energy sector, it was implemented a corporate reorganization plan as a necessary and opportune measure to adapt to the market context. This initiative pursued a series of strategic objectives, such as:

- increasing financial and operational performance;
- the organization corporate cultural transformation, focused on efficiency and performance, in order to ensure the sustainability of the business;
- work efficiency, staff improvement and specialization;
- accelerating the embracing of the market's best practices and new technologies, increasing transparency and reducing costs.

Lately, the company's policies and procedures were revised regarding the implementation of the hybrid working program and the extension of the benefits package granted to employees (i.e. contributions to private pensions Pillar 3) as a measure to adapt to market trends.

On the other hand, the themes of geopolitical evolution as well as trends on the energy market, reveal a concern regarding the inclusion of ESG risks and opportunities in strategic planning, including aspects related to human resources. Among them, the assessment of how organizational culture and talent management could influence ESG policies and objectives to create new opportunities for the workforce, constitute actions in the attention of companies, especially those in the energy sector.

## **The IT&C perspective**

For 2023, in line with the objectives and directions included in the IT&C Strategy approved in 2019 and Digitalization Strategy approved in 2022, the Group aims to continue the consolidation of the ERP systems from the Group's subsidiaries, synchronizing these requirements with the needs, decisions and initiatives to reorganize divisions and operational directions. In addition to traditional IT&C infrastructure and services, the Group aims to continue and accelerate digitization initiatives and the application of technologies that lead to faster, more flexible and customer-friendly interaction. Last but not least, the Group set out to analyze the options for the next stage of technological development and harmonization; the future Digitization Strategy should take over the results of the current phase

in 2023 and place full emphasis on optimizing internal and other processes, with all stakeholders, based on the Group's advanced Digital Transformation technologies.

## **7. Capital Expenditures**

A core part of Electrica business strategy includes implementing the investment plan. Electrica's activities require significant capital expenditures mostly connected with its operations in the electricity distribution segment. Furthermore, Electrica's assets require periodic maintenance and modernization to improve operational efficiency.

Electrica's capital expenditures in the three months period ended 31 March 2023 and 31 March 2022 amounted to RON 124.7 mn. and RON 110.5 mn., respectively.

The volume of investments in the distribution network reflects the Group's effort to accomplish the planned level of investments for 2023, especially in the distribution segment.

The volume of investments had a material impact and, according to Electrica's expectations, will continue to have such impact on the results of Electrica's operations, Electrica's indebtedness and future cash flows.

Capital expenditures in the distribution network will only have the anticipated positive impact on Electrica's result of operations to the extent they are recognized in the Regulated Asset Base by ANRE and considering the rate of return approved by the regulatory authority.

## 8. Statements

Based on the best available information, we confirm that the interim condensed consolidated financial statements not reviewed or audited for the three month period ended 31 March 2023 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. 67 of the law no. 24/2017 on issuers of financial instruments and market operations and to annex no. 13 to ASF Regulation no. 5/2018 for the three months period ended 31 March 2023, 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**



## 9. Appendix

### 9.1. Appendix 1 - Economic and financial indicators of Electrica Group as of 31 March 2023 according to Annex 13/ASF Regulation no. 5/2018

Indicator	Formula	Value
Current liquidity ratio	Current assets/Current liabilities	0.85
Capital Gearing Ratio	Debt/Equity * 100	19.4%
Trade receivables turnover	Average balance trade receivables/ Turnover * 90	98 days
Non-current asset turnover ratio	Turnover/Non-current assets	1.6

## 9.2. Appendix 2 - Applicable legal framework - issued in 2023

### A.9.2.1 Distribution segment

ANRE has issued documents for the regulatory framework that requires additional efforts from distribution operators in order to comply with the new requirements:

2023	
<b><u>Regulations regarding tariffs:</u></b>	<ul style="list-style-type: none"> <li>▪ <b>The distribution rates approved starting with 01 April 2023</b> were approved by ANRE <b>Order no. 27/2023</b>, the regional average tariffs for DEER having the following increases compared to the tariffs from 01 April 2022: <b>MN +26.1%, TN +21.5%, TS +10.9%</b>; - effective from 01 April 2023.</li> <li>▪ The specific tariffs applicable starting from 01 April 2023 are composed of the main component and a component related to additional costs with NL, the latter was not subject to the 7% limitations imposed for tariff increases, being recognized as a distinct component of tariffs related to capitalized costs recognized with additional NL for the year 2022, amortized over a period of 5 years from the date of capitalization and remunerated with 50% of the regulated rate of return approved by ANRE, according to GEO no. 119/2022.</li> <li>• <b>ANRE Order no. 1/2023 for the modification and completion of some orders of the ANRE</b> - effective from 17 January 2023 <ul style="list-style-type: none"> <li>▪ The methodology for establishing 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</li> <li>▪ The project was developed as a result of ANRE's obligation to present to ACER, by 24 January 2023, the methodology and criteria used to evaluate investments, in the sense of alignment with Regulation (EU) 2022/869: <ul style="list-style-type: none"> <li>▪ energy infrastructure projects and high risk assessment</li> <li>▪ the specific risks to which offshore networks for energy from renewable sources are exposed</li> </ul> </li> </ul> </li> <li>• <b>ANRE Draft Order regarding the modification and completion of ANRE orders</b> - public consultation <ul style="list-style-type: none"> <li>▪ <i>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</i> <ul style="list-style-type: none"> <li>▪ 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 DO</li> </ul> </li> <li>▪ <i>The methodology for establishing tariffs for the electricity distribution service, approved by ANRE Order no. 169/2018</i> <ul style="list-style-type: none"> <li>▪ DO 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.</li> <li>▪ 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.</li> <li>▪ 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.</li> </ul> </li> </ul> </li> </ul>
<b><u>Investments Procedure</u></b>	<ul style="list-style-type: none"> <li>• <b>ANRE Order no. 1/2023 for the modification and completion of various orders of the ANRE</b> - effective from 17 January 2023 <ul style="list-style-type: none"> <li>▪ Methodology for the evaluation of investments in projects of common interest (PCI) approved by ANRE Order no. 139/2015 is amended as follows: <ul style="list-style-type: none"> <li>▪ expanding the scope of the Methodology for DO investments (in addition to TSOs)</li> <li>▪ granting a 1% RRR incentive for PCI</li> <li>▪ expanding the scope of the type of PCI from electric transmission networks to: a) electric transmission and distribution networks; b) offshore networks for energy from renewable sources; c) projects that integrate innovative technical solutions and which, although they have low capital costs, involve significant operating costs.</li> </ul> </li> </ul> </li> <li>• <b>ANRE Order no. 6/2023 for the completion of the Procedure regarding the substantiation and approval of the investment plans of TSOs and DOs,</b></li> </ul>

2023	
	<p><b>approved by ANRE Order no. 98/2022</b> - effective from 13 February 2023</p> <ul style="list-style-type: none"> <li>Modifications consider the recognition of DO investments in energy storage and production of energy for consumption and NL: <ul style="list-style-type: none"> <li>the inclusion in the category of justifiable investments of energy production facilities from renewable sources for NL supply and control consumption in the station;</li> <li>the inclusion of electricity storage facilities in the category of necessary investments;</li> <li>the possibility for DO to own storage facilities, by exception from the provisions of the Energy Law (art. 46<sup>1</sup> par. (1)), only with prior approval by ANRE;</li> <li>establishing the method of calculating the economic efficiency of investments in production/storage, for the purpose of recognition by ANRE (Annex no. 8).</li> </ul> </li> </ul>
<b><u>Licenses</u></b>	<ul style="list-style-type: none"> <li><b>ANRE 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</b> - public consultation</li> <li>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;</li> <li>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;</li> <li>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;</li> <li>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.</li> </ul>
<b><u>Smart metering regulations (SMR):</u></b>	<ul style="list-style-type: none"> <li><b>ANRE Order no. 13/2023 approving 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</b> - effective from 01 April 2023 <u>Provisions regarding the SMR in the framework contract for universal service electricity supply framework</u> – <ul style="list-style-type: none"> <li>DO have the obligation to invoice monthly the distribution service to end customers with meters integrated in the SMR based on the recorded data;</li> <li>DO have the obligation to ensure the meter reading and to communicate monthly the measured data for customers who have meters integrated in the SMR in case the connection to the communication system is interrupted;</li> <li>for final customers who have meters integrated in SMR, regularization invoices are not issued.</li> </ul> </li> </ul>
<b><u>Technical regulations</u></b>	<p><b>a) Network connection</b></p> <ul style="list-style-type: none"> <li><b>ANRE Order no. 4/2023 for the modification and completion of ANRE orders in the field of connection to the public interest electric network of users</b> - effective from 03 February 2023 <ul style="list-style-type: none"> <li>the modification and completion of the following regulations, in the sense of including the possibility of 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 metering group or the protection block and measure fully equipped, including the meter in compliance with the technical specifications provided by TSO/DSO: <ul style="list-style-type: none"> <li>Connection Regulation</li> <li>The procedure regarding the connection to LV networks of household customers - ANRE Order no. 18/2022</li> <li>Connection framework contracts - ANRE Order no. 105/2022</li> <li>The procedure regarding the connection to the networks of the prosumers - ANRE Order no. 19/2022</li> </ul> </li> <li>TSO/DSO is obliged to reimburse the user the value of these equipments at the terms established in the connection contracts; the reimbursement is made on the basis of the supporting documents presented by the user, without being limited to: tax invoice, compliance certificates, warranty certificates, etc.</li> <li>the obligation of the DO to mount the meter is maintained, the deadlines in force stipulated in the connection contracts being maintained.</li> </ul> </li> </ul>

**Technical regulations**

- **ANRE order no. 11/2023 for the modification and completion of the Methodology for issuing location notices by network operators, approved by ANRE no. 25/2016** - effective from 13 March 2023
  - the definition of "risk analysis" was introduced as technical-economic documentation for the analysis of the impact of non-compliance with the regulated coexistence conditions. This is drawn up by a quality and extrajudicial technical expert in the field of technological electrical installations, who holds a license/certificate issued by ANRE, or by a qualified expert in the prevention and reduction of technological risks
  - clarifications were made regarding the use of the favorable location notice conditional on the issuance of the building permit.
  - through the changes made, it will allow the use of the coexistence study drawn up in the approval phase of the urban planning documentation and in the procedure for issuing the site approval.
- **ANRE Order no. 21/2023 regarding the modification and completion of the Methodology for the exchange of data between the transport operator and the system, distribution operators and significant network users approved by ANRE Order no. 233/2019** - effective from 04 April 2023
  - 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 accordance with the provisions of the norm for connecting storage facilities, it is necessary to specify:
    - communication path, redundancy and data exchange for storage facilities. These storage installations can be linked with the electricity production installation or they can be operated independently.
    - how the programmed and planned data exchange is carried out until the provisions of ANRE Order no. 127/2021, with subsequent amendments and additions.
- **ANRE Draft order for the amendment and completion of ANRE Order no. 239/2019 for the approval of the Technical Norm regarding the delimitation of protection and safety zones related to energy capacities** - public consultation
  - 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 to 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 to Norm;
  - the conditions under which the risk analysis will be required have been 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 roofs of buildings.
- **ANRE 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 established by the solution sheet:
    - 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;
    - 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;
    - 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 situations/operating 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 operate 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 the electrical networks for which strengthening works have been executed or are being executed to create the technical conditions required 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 stipulated 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 in the solution study.

- the elimination of the phrase dispatchable/non-dispatchable with regard to generating units/power plants, taking into account the provisions of ANRE Order no. 127/2021.
- **ANRE Order no. 60/2023 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 – effective from 21 April 2023**
  - completion of the list of normative acts, with ANRE Order no. 105/2022, within which 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.
- **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 TSO/DSO 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 TSO/DSO through the connection tariff or, if the contract is concluded by the TSO/DSO 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, TSO/DSO 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.

#### **b) Prosumers**

- **ANRE Draft Order for the modification and completion of the Methodology for establishing the rules for the commercialization of electricity produced in power plants from renewable sources with an installed power of no more than 400 kW per place of consumption belonging to prosumers, approved by ANRE Order no. 15/2022 – public consultation**  
Draft order proposes:
  - clarification on how to apply the quantitative compensation between the electricity consumed and the electricity produced and delivered in the electricity network by the prosumers who own RES electricity production units with an installed electric power of no more than 200 kW per point of consumption
  - detailing the method of settlement of the electricity produced and delivered in the electricity network at one or more places of production and consumption where they have the capacity of prosumers with the electricity consumed from the same electricity network at other places of production and consumption/places of consumption of them, a facility that was introduced by GEO no. 163/2022.

#### **c) Storage**

- **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 January 2023**  
The norm was developed by the TSO, it establishes technical requirements for connected storage installations:
  - individually to the public electricity network, classified in categories A, B, C and D in a similar way to electricity production facilities;
  - within the electricity production sites;
  - within the places of electricity consumption.

#### **d) Distribution service performance standard**

- **ANRE Order no. 13/2023 approving 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 - effective from 01 April 2023**  
Provisions related to the Standard distributed in **the contract - universal service electricity supply framework** - the compensations and penal interest that the household customer is entitled to receive for the supplier's non-compliance with the obligations stipulated in the Performance Standard for the activity of supplying

2023	
	electricity and for the non-compliance by the distribution operator with the performance indicators stipulated in the Performance Standard for the electricity distribution service, in force.
<b><u>Commercial (Trading) Regulations</u></b>	<ul style="list-style-type: none"> <li>▪ <b>ANRE Order no. 5/2023 for the approval of the Regulation for the supply of electricity to final customers</b> - effective from 6 February 2023 <ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ 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</li> <li>▪ 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;</li> <li>▪ the introduction of the notion of an active client, the quality of an active client is certified, by the DSO/TSO, for: <ol style="list-style-type: none"> <li>a. participation in flexibility or energy efficiency programs, to which the customer's place of consumption is connected;</li> <li>b. the production of electricity, by the DSO/TSO to which the place of consumption and production is connected;</li> </ol> </li> <li>▪ elimination of the obligation to conclude the consumption agreement by the customer at the conclusion of the electricity supply contract;</li> <li>▪ 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;</li> <li>▪ 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;</li> <li>▪ 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;</li> <li>▪ 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 SMR;</li> <li>▪ 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;</li> <li>▪ 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;</li> </ul> </li> <li>▪ <b>ANRE Order no. 13/2023 approving 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</b> - effective from 01 April 2023 Provisions with impact on DO in <b><u>the contract - universal service electricity supply framework</u></b> - 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: <ul style="list-style-type: none"> <li>▪ the reading interval of the measurement group index is at most 3 months;</li> <li>▪ 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);</li> <li>▪ communication through the invoice of the time interval for reading the index of the measurement group by the DO representative;</li> <li>▪ invoicing based on the data established by the electricity consumption convention for the invoicing periods in which the index of the metering group is not read and the household customer does not transmit the self-read index;</li> </ul> </li> </ul>
<b><u>Compliance Regulation</u></b>	<i>No changes or additions to the legislation were issued until the moment of publication of this report.</i>
<b><u>Primary legislation:</u></b>	<i>No changes or additions to the legislation were issued until the moment of publication of this report.</i>
<b><u>Alignment with the European legislation - EU Regulation no. 943/2019:</u></b>	<b><u>Electricity market functioning</u></b> <ul style="list-style-type: none"> <li>▪ <b>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</b> – effective from 28 March 2023 Provides rules that refer to:</li> </ul>

- 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.
- **ANRE Order no. 20/2023 for the approval of the Regulation on the organization and operation of the organized electricity market, administered by the Romanian Stock Exchange - S.A.** – effective from 05 April 2023  
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.
  - **ANRE Order no. 17/2023 for approval of the methodology for monitoring the wholesale electricity market** - effective from 03 April 2023
    - the purpose and scope of the methodology for monitoring the wholesale electricity market have been extended to include ANRE's monitoring obligations as a result of the changes brought about by the entry into force of Law 123/2012, and the increased complexity of the types of data/indicators required by the relevant European institutions (ACER/CEER);
    - update definitions/abbreviations used, reference documents referred to in the regulatory proposal and economic operators to which the provisions of the monitoring methodology apply;
    - taking into account the amendments made to Law no. 123/2012, the system of specific indicators for the markets on which electricity is traded (structure indicators, market efficiency/performance assessment indicators, market participant behaviour indicators) has been adapted and completed for each of the monitoring entities with responsibilities in the field (ANRE, NEMO and TSO).
    - for a clearer understanding of how to report and therefore for accurate, complete and timely reporting, additional details have been provided on the data required on the monthly templates submitted by market participants.
  - **ANRE Order no. 18/2023 for approval of the methodology for monitoring the retail electricity market** - effective from 04 April 2023
    - the scope and coverage of the methodology for monitoring the retail electricity market have been extended to include ANRE's monitoring obligations as a result of the amendments to Law 123/2012 and the increased complexity of the types of data/indicators frequently requested by the relevant European institutions (ACER/CEER);
    - the system of indicators allows for a European approach to monitoring the retail electricity market, as they are developed in line with the public documents developed by CEER on the proper functioning of retail electricity markets in Europe, working tools for regulators in member countries.
    - for a clearer understanding of how to report and therefore for accurate, complete and timely reporting, the data aspects required on the monthly templates submitted by retail market participants have been detailed.
  - **ANRE 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 DOs 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.

Source: Electrica



### A.9.2.2 Supply segment

In 2023, with an impact on the electricity and natural gas supply activity, the following normative acts were adopted:

2023
<p><b>a. Primary legislation:</b></p> <ul style="list-style-type: none"> <li>▪ <b>Law no. 5/2023</b> — Law on the amendment and completion of Law no. 220/2008 for the establishment of the system for the promotion of energy production from renewable energy sources <ul style="list-style-type: none"> <li>- is amended and supplemented Law no. 220/2008 regarding the trading of green certificates after the expiration of the accreditation period, the recovery of improperly issued green certificates, etc.</li> </ul> </li> <li>▪ <b>Law no. 15/2023</b>— Law on the approval of the Government Emergency Ordinance no. 3/2022 for the amendment and completion of the 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, as well as for completing Government Ordinance no. 27/1996 regarding the granting of facilities to people who live or work in some localities in the Apuseni Mountains and in the "Danube Delta" Biosphere Reserve <ul style="list-style-type: none"> <li>- GEO no. 3/2022 is approved.</li> </ul> </li> </ul>
<p><b>b. Secondary legislation:</b></p> <p>During the reference period, at the level of the regulatory framework, the following changes and additions were registered:</p> <ul style="list-style-type: none"> <li>▪ <b>ANRE order no. 5/2023</b> — 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 the ANRE president: <ul style="list-style-type: none"> <li>- enters into force on 06 February 2023 (with the exception of some provisions that have other application dates);</li> <li>- the Regulation on the supply of electricity to final customers is approved;</li> <li>- 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 Order no. 102/2016);</li> <li>- is repealed ANRE Order no. 235/2019 for the approval of the Regulation for the supply of electricity to final customers, ANRE Order no. 171/2020 for the approval of the Electricity Supply Conditions by the suppliers of last resort, ANRE Order no. 181/2018 for the approval of the Procedure regarding the regime of financial guarantees established by final customers at the disposal of electricity suppliers and for the amendment of the Regulation on the supply of electricity to final customers, ANRE Order no. 85/2015 for the approval of the tripartite framework agreement concluded between the supplier, the network operator and the final customer of the network contract and of the multiparty framework agreement concluded between the final customer, suppliers and the network operator, ANRE Order no. 96/2015 for the approval of the Regulation regarding the activity of informing final customers of electricity and natural gas;</li> <li>- through the Regulation on the supply of electricity to final customers, new notions were introduced regarding the supply contract with dynamic prices (obligation to make an offer/contract with dynamic prices for EFSA) and active customers with new obligations for the supplier (existing condition of the energy supply contract both for the place of consumption and for the place of consumption and production);</li> <li>- the main provisions amended/supplemented by the new Regulation are: <ul style="list-style-type: none"> <li>○ to the vulnerable client, they included among the facilities granted and the deferment of the payment of the invoice, upon request, for a period of at least 3 months (submission to the provider with whom he has access to medical documents for people who require life support by electrical devices for the insurance continuity of supply);</li> <li>○ the acceptance of household customers was extended with new categories;</li> <li>○ to the standard offers for non-households, the definition of microenterprise from L123 has been aligned (categorization by consumption, not by turnover/number of employees). The obligation to display standard offers at the single points of contact has disappeared. In the information of the offer, the unit value of the taxes / commissions / fees / contributions will be entered. It is no longer mandatory to include the main conditions from the contract in the offer, but new elements are introduced, to be included in the offer;</li> <li>○ a place of consumption can be supplied by several suppliers without being conditioned by the power of 1 MW.</li> <li>○ the minimum elements of the tripartite/multipartite convention are specified without imposing a framework convention;</li> <li>○ in the contract, the unit value of the taxes / commissions / fees / contributions will be entered in the same way as in the offer. A new price element appears - Final invoiced price = supply price + all fees, taxes ... unit). At the conclusion of the contract, the supplier's web page must contain links to POSF;</li> <li>○ when invoicing, there are explicit mentions of normative acts incident to the period of application (i.e. capping). For all household customers (including eligible household - competitive) and SoLR customers, the billing period is monthly. For all household customers, for consumption made starting from 01 April 2023, the invoice model for SU is respected. All invoices for consumption registered starting from 01 April will contain a minimum set of information. New clauses for payment scheduling.</li> </ul> </li> </ul> </li> </ul>

- **ANRE order no. 9/2023** — Order regarding the establishment of the mandatory quota for the purchase of green certificates for the year 2022
  - the mandatory rate for 2022 was set at the level of 0.4934314 CV/MWh (compared to 0.5014313 CV/MWh the estimated rate for 2022 and 0.449792 CV/MWh the mandatory rate for 2021);
  - enters into force on 01 March 2023.
- **ANRE order no. 10/2023** — Order for the approval of the Methodology regarding the determination of the minimum stock level of natural gas that the holders of the natural gas supply licenses have the obligation to constitute in the underground storage warehouses
  - the Methodology regarding the determination of the minimum natural gas stock level that the holders of the natural gas supply licenses are obliged to set up in the underground storage warehouses is approved - Natural gas suppliers, for the quantities delivered to final customers (PET direct customer) who have opted for the purchase of natural gas directly from natural gas producers, fulfill their obligation regarding the establishment of the minimum stock of natural gas by:
    - storing natural gas in one's own name, by concluding contracts for underground natural gas storage with one of the holders of the license to operate underground natural gas storage systems; and/or
    - the conclusion, by 31 May of each year, of sales-purchase contracts whose object is natural gas quantities from underground natural gas storage facilities, stored by another natural gas supplier; and/or
    - concluding mandate contracts with another supplier, in order to store natural gas.
- **ANRE order no. 14/2023** — Order regarding the modification and completion of some orders of the president of the National Energy Regulatory Authority and repealing the Order of the president of the National Energy Regulatory Authority no. 96/2015 for the approval of the Regulation on the activity of informing end customers of electricity and natural gas
  - amendment of the Regulation regarding the supply of natural gas to final customers, approved by Order of the President of ANRE no. 29/2016; definitions were introduced for each of the components of the final invoiced price; it has been stipulated that in the case of vulnerable customers it is possible to pay the invoice in installments, upon request, for a period of at least 3 months or agreed upon by the parties; the provisions of the Regulation were correlated with those of Order 3/2022 - POSF; the mandatory information to be included in the invoice has been updated, establishing the essential priority information that must be included on the first page of the invoice, so that the end customer knows the invoiced consumption and how much he has to pay for it, and on the second page of the invoice to detail this priority information;
  - amendment of ANRE Order no. 106/2014 regarding the methods of informing end customers by natural gas suppliers regarding the commercial conditions of natural gas supply; the provisions related to the content of the standard offer have been completed/detailed, in the sense of detailing the final price per component; a provision was included according to which it must be specified whether the price of natural gas within the standard offer is fixed or variable;
  - the repeal of ANRE Order no. 96/2015, regarding the provision of information to final natural gas customers by suppliers
- **ANRE order no. 13/2023** — Order for the approval of the framework contract for the supply of electricity in the universal service regime, the general conditions for the supply of electricity in the universal service regime and the invoice model applicable to household customers
  - the following is approved: The framework contract for the supply of electricity in the universal service regime - annex no. 1, General conditions for the supply of electricity in the universal service regime - annex no. 2, Electricity bill model - annex no. 3;
  - the main provisions: the general conditions for the supply of electricity in the universal service regime are published by the suppliers on their own website and are made available to household customers, in printed format, upon their request; invoices issued by electricity suppliers to household customers for electricity consumption made starting from April 2023 will respect the invoice model (the color, type and size of the font can be set by the suppliers); the price of electricity from the universal service offer is valid for a period of at least 3 months; until 31 March 2024, the electricity suppliers who have universal service customers in their portfolio communicate to these customers the electricity supply contracts issued pursuant to this order; electricity suppliers have the obligation to publish on their website the framework contract and the general conditions for the supply of electricity in the universal service regime within 5 days from the date of entry into force of this order and to communicate to household customers from the portfolio the access link to the contract and to the general conditions for the provision of electricity in the universal service regime, with the first invoice issued after the entry into force of this order.
  - is repealed ANRE Order no. 88/2015
- **ANRE order no. 15/2023** — Order on the approval of the Natural Gas Market Monitoring Methodology
  - the modification and completion of the Methodology for monitoring the natural gas market, by integrating all aspects regarding the monitoring of the wholesale market, which appeared once REMIT came into force; the responsibilities according to REMIT, specific to the owners of the administration of centralized markets and TSOs, were included; provisions were introduced regarding the forms that each license holder must report separately, with their clear identification - updating and creating new reporting forms;
  - is repealed ANRE Order no. 5/2013 for the approval of the Natural Gas Market Monitoring Methodology
- **ANRE order no. 16/2023** — Order for the amendment and completion of the Regulation on the last resort supply of natural gas, approved by the Order of the President of the National

Energy Regulatory Authority no. 173/2020

- amending and supplementing the Regulation on the last resort supply of natural gas:

- the provisions relating to the natural gas distribution contract that SoLR is obliged to conclude with the distribution operators have been amended so that they are consistent with the provisions of ANRE Ord. no. 3/2022 – POSF; Annex no. 5 was modified, respectively the model of the takeover request, so that it is consistent with the provisions of Ord. ANRE no. 29/2022 - Regulation on the supply of natural gas to final customers; Annex no. 6 was introduced - The method of appointing the SoLR for places of consumption with an annual consumption of more than 28,000 MWh of each PET for the situation where they have not ensured the supply of natural gas to cover the consumption requirement, fully or partially, during the period of application of the support scheme; a mechanism was created through which, during the application of the support scheme approved by GEO 27/2022, for consecutive periods of 12 months starting from 01 April 2023 – 31 March 2024, ANRE appoints SoLR, among those already appointed, for the places of consumption with an annual consumption greater than 28,000 MWh of each PET where thermal energy is produced; the deadlines for requesting the activation of the advance payment option by the end customer were changed and a deadline for the transmission of the supply contract by SoLR was introduced.

- **ANRE order no. 19/2023** — Order for the amendment of the green certificate invoicing procedure, approved by the Order of the president of the National Energy Regulatory Authority no. 187/2018
  - updating the aspects related to data reporting by electricity suppliers that invoice electricity to final consumers, regarding the mode and format of reporting carried out through the ANRE Portal, structured on information regarding the monthly billing of green certificates and information regarding the annual regularization of the counter value of green certificates;
- **ANRE order no. 22/2023 – 27/2023** — Order regarding the approval of specific tariffs for the electricity distribution service and the price for reactive electricity at Societatea E-Distributie Banat — S.A., Societatea E-Distributie Dobrogea — S.A., Societatea E-Distributie Muntenia — S.A., Societatea Delgaz Grid — S.A., Societatea Distributie Energie Oltenia — S.A., Societatea Distributie Energie Electrica Romania — S.A.
  - the new rates are applicable from 01 April 2023;
  - there are increases in all specific tariffs for the electricity distribution service, the biggest increases being at Distributie Energie Electrica Romania SA - Muntenia Nord of about 30%;
  - the tariffs for low voltage for Distributie Energie Electrica Romania are higher by 8.3% - 31.2% compared to the first quarter of 2023 (at DEER there were increases for all categories, respectively the lowest increase was 8.3% at LV - Transilvania South and the biggest increase of 33.7% in HV-Muntenia Nord).
- **ANRE order no. 28/2023** — Order on the approval of the average tariff for the electricity transmission service, the components of the transmission tariff for introducing electricity into networks (T\_G) and extracting electricity from networks (T\_L) and the regulated price for electricity reactive, practiced by the National Electric Energy Transport Company "Transelectrica" — S.A.
  - the new rates are applicable from 01 April 2023;
  - the average tariff for the electricity transmission service is 31.20 lei/MWh – 11% increase;
  - the transport tariff - the component of introducing electricity into the network - TG is 4.04 lei/MWh - 59.7% increase;
  - the transport tariff - the component of electricity extraction from the network - TL- is 27.44 lei/MWh - 7.3% increase.
- **ANRE order no. 17/2023** — Order on the approval of the Electricity Retail Market Monitoring Methodology
  - updating the Methodology by updating the methodological principles underlying the activity of monitoring the electricity retail market with the requirements of the regulatory framework in force and, considering the multitude of changes; proposes ways to evaluate the level of efficiency and competition on the electricity retail market, to identify the elements that can lead to a decrease in performance in the supply activity, to evaluate the behavior of suppliers in the relationship with end customers and to identify those practices or behaviors that raises suspicions of violation of competition principles.
  - is repealed ANRE Order no. 167/2019 regarding the approval of the Methodology for monitoring the electricity retail market and ANRE Order no. 205/2018 regarding the approval of the Electricity Market Monitoring Methodology for final customers served by last resort suppliers
- **ANRE order no. 18/2023** — Order regarding the approval of the Methodology for monitoring the wholesale electricity market
  - modifying and completing the Methodology by updating the methodological principles and updating the system of indicators used in the monitoring activity; the scope and scope of the methodology were extended in order to include the monitoring obligations of ANRE as a result of the amendments made to the Electricity and Natural Gas Law no. 123/2012 and the increase in the complexity of the types of data/indicators requested by the competent European institutions (ACER/CEER); the system of specific indicators for the markets on which electricity is traded was adapted and completed (structure indicators, market efficiency/performance evaluation indicators, market participants' behavior indicators) for each of the monitoring entities with responsibilities in the field (ANRE, OPEE and TSO); the aspects related to the data requested on the monthly models sent by the market participants were additionally detailed; the reporting deadlines for market participants, OPEE and TSOs were specified; the submission of market participants/OPEE/TSO reports and OPEE/TSO reports in text format has been completely eliminated.
  - is repealed ANRE Order no. 67/2018 for the approval of the Methodology for monitoring the wholesale electricity market

- **ANRE order no. 20/2023** — Order regarding the approval of the Regulation on the organization and operation of the organized electricity market, administered by the Romanian Stock Exchange — S.A.
  - the Regulation on the organization and operation of the organized electricity market, administered by Societatea Bursa Romana de Marfuri - S.A. is approved, and this simplifies the organized framework for electricity trading on the organized future electricity markets, through the trading platforms managed by Societatea Bursa Romana de Marfuri - S.A.; a chapter on organized market segments is introduced; new products are introduced, namely flexible products and products derived from the field of electricity, settled by physical delivery; market transparency information is expanded; requirements are introduced regarding the use of a liquidity provider.
  - the order enters into force on 05 April 2023; is repealed ANRE Order no. 117/2022.

Source: Electrica

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## Glossary

<b>ANRE</b>	Romanian Energy Regulatory Authority
<b>BoD</b>	Board of Directors
<b>BRP</b>	Balance Responsible Party
<b>BSE</b>	Bucharest Stock Exchange
<b>CAPEX</b>	Capital Expenditure
<b>CGC</b>	Corporate Governance Code
<b>CMBC (EA/CN)</b>	Centralized Market for Bilateral Contracts (Extended Auction/Continuous Negotiation)
<b>CMC</b>	Competitive Market Component
<b>CMNG-AN</b>	Centralized Market for Bilateral Natural Gas Contracts – Auction and Negotiation
<b>CMNG-PA</b>	Centralized Market for Bilateral Natural Gas Contracts – Public Auction
<b>CMNG – OTC</b>	Centralized Market for Bilateral Natural Gas Contracts – OTC
<b>CMUS</b>	Centralized Market for Universal Service
<b>CNTEE</b>	The National Transmission System Operator
<b>DAM</b>	Day Ahead Market
<b>DAM-NG</b>	Day Ahead Market – Natural Gas
<b>DEER</b>	Distributie Energie Electrica Romania
<b>DSO</b>	Distribution System Operator
<b>EBIT</b>	Earnings before interest and tax
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortization
<b>EDN</b>	Electrical Distribution Network
<b>ELSA</b>	Electrica S.A.
<b>EGMS</b>	Extraordinary General Meeting of Shareholders
<b>EU</b>	European Union
<b>EUR</b>	EURO, the monetary unit of several member states of the European Union
<b>FPM-LT</b>	Medium and Long Term Flexible Products Market
<b>GC</b>	Green Certificates
<b>GDP</b>	Gross Domestic Product
<b>GDR</b>	Global Depositary Receipts
<b>GEO</b>	Government Emergency Ordinance
<b>GMS</b>	General Meeting of Shareholders

<b>HV</b>	High Voltage
<b>IAS</b>	International Accounting Standard
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standard
<b>IM-NG</b>	Intraday Market for Natural Gas
<b>IPO</b>	Initial Public Offering
<b>IR</b>	Investor Relations
<b>ISIN</b>	International Securities Identification Number
<b>KPI</b>	Key Performance Indicators
<b>kV</b>	KiloVolt
<b>LR</b>	Last Resort
<b>LV</b>	Low Voltage
<b>MV</b>	Medium Voltage
<b>MVA</b>	Mega Volt Ampere
<b>MWh</b>	MegaWatt hour
<b>MKP</b>	Management Key Position
<b>NAFA</b>	National Agency for Fiscal Administration
<b>NES</b>	National Energy System
<b>NL</b>	Network Losses
<b>NRC</b>	Nomination and Remuneration Committee
<b>OMPF</b>	Order of Ministry of Public Finances
<b>OGMS</b>	Ordinary General Meeting of Shareholders
<b>OHL</b>	Overhead Line
<b>OHS</b>	Occupational Health and Safety
<b>OPCOM</b>	Romanian Gas and Electricity market operator
<b>RAB</b>	Regulated Asset Base
<b>RM</b>	Retail Market
<b>RON</b>	Romanian monetary unit
<b>RRR</b>	Regulated Rate of Return
<b>SAD</b>	Distribution Automation System
<b>SCADA</b>	Supervisory Control And Data Acquisition
<b>SDMN</b>	Societatea de Distributie a Energiei Electrice Muntenia Nord



<b>SDTN</b>	Societatea de Distributie a Energiei Electrice Transilvania Nord
<b>SDTS</b>	Societatea de Distributie a Energiei Electrice Transilvania Sud
<b>SEM</b>	Servicii Energetice Muntenia SA
<b>SEO</b>	Servicii Energetice Oltenia SA
<b>SoLR</b>	Supplier of last resort
<b>TWh</b>	TeraWatt hour
<b>TSO</b>	Transmission and system operator
<b>UM</b>	Unit of Measurement
<b>US</b>	Universal Service
<b>VAT</b>	Value Added Tax



## **SOCIETATEA ENERGETICA ELECTRICA S.A.**

Condensed Consolidated Interim Financial Statements

as at and for the three month period ended

**31 March 2023**

prepared in accordance with

**OMFP no. 2844/2016**

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTH**  
**PERIOD ENDED 31 March 2023**  
PREPARED IN ACCORDANCE WITH OMFP no. 2844/2016

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**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 31 MARCH 2023

(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	31 March 2023 (unaudited and not reviewed)	31 December 2022 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets related to concession arrangements		5,738,407	5,675,866
Intangible assets from the capitalization of own technological consumption		923,456	951,557
Other intangible assets		13,800	12,854
Goodwill	19	13,764	12,040
Property, plant and equipment		498,724	499,390
Investments in associates		18,819	18,824
Other investments		7,000	7,000
Deferred tax assets	10	27,796	30,180
Right of use assets		47,067	52,152
Other non-current assets		51,392	2,393
<b>Total non-current assets</b>		<b>7,340,225</b>	<b>7,262,256</b>
<b>Current assets</b>			
Trade receivables	11	2,710,151	2,466,002
Subsidies receivable	7	1,751,656	1,280,788
Other receivables		68,768	127,253
Cash and cash equivalents	12	108,611	334,887
Inventories		101,093	113,972
Prepayments		19,873	13,874
Current income tax assets		18,379	24,000
Assets held for sale		280	280
<b>Total current assets</b>		<b>4,778,811</b>	<b>4,361,056</b>
<b>Total assets</b>		<b>12,119,036</b>	<b>11,623,312</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		3,464,436	3,464,436
Share premium		103,049	103,049
Treasury shares reserve		(75,372)	(75,372)
Pre-paid capital contributions in kind from shareholders		7	7
Revaluation reserve		90,001	92,117
Legal reserves		429,583	429,583
Retained earnings		1,289,452	1,353,942
<b>Total equity attributable to the owners of the Company</b>		<b>5,301,156</b>	<b>5,367,762</b>
Non-controlling interests	19	(378)	(516)
<b>Total equity</b>		<b>5,300,778</b>	<b>5,367,246</b>

(Continued on page 2)

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 31 MARCH 2023

*(All amounts are in THOUSAND RON, if not otherwise stated)*

	<b>Note</b>	<b>30 March 2023 (unaudited and not reviewed)</b>	<b>31 December 2022 (audited)</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term bank borrowings	14	761,739	647,193
Lease liabilities	10	28,395	34,462
Deferred tax liabilities		200,030	212,555
Employee benefits		117,268	117,269
Other payables	13	72,776	72,432
<b>Total non-current liabilities</b>		<b>1,180,208</b>	<b>1,083,911</b>
<b>Current liabilities</b>			
Current portion of long-term bank borrowings	14	240,647	113,520
Current portion of lease liabilities		20,044	19,211
Bank overdrafts	12	2,841,940	2,571,037
Trade payables		1,297,028	1,407,097
Other payables	13	1,031,429	867,536
Deferred revenue		32,909	24,750
Employee benefits		122,702	114,174
Provisions	16	51,211	53,701
Current tax liabilities		140	1,129
<b>Total current liabilities</b>		<b>5,638,050</b>	<b>5,172,155</b>
<b>Total liabilities</b>		<b>6,818,258</b>	<b>6,256,066</b>
<b>Total equity and liabilities</b>		<b>12,119,036</b>	<b>11,623,312</b>

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**Chief Executive Officer**  
 Alexandru – Aurelian Chirita

**Chief Financial Officer**  
 Stefan Alexandru Frangulea

15 May 2023

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

AS AT 31 MARCH 2023

(All amounts are in THOUSAND RON, if not otherwise stated)

		<b>Three month period ended</b>	
	<b>Note</b>	<b>31 March 2023 (unaudited and not reviewed)</b>	<b>31 March 2022 (unaudited and not reviewed)</b>
Revenue	6	2,494,984	2,579,045
Other income	7	1,016,518	678,997
Capitalised costs of intangible non-current assets		21,082	-
Electricity and natural gas purchased	8	(2,842,477)	(2,872,531)
Construction costs related to concession agreements		(171,293)	(108,261)
Employee benefits		(206,843)	(187,550)
Repairs, maintenance and materials		(30,563)	(25,523)
Depreciation and amortization		(176,401)	(124,049)
Impairment for trade and other receivables, net		(8,602)	(19,701)
Other operating expenses		(103,017)	(95,158)
<b>Operating loss</b>		<b>(6,612)</b>	<b>(174,731)</b>
Finance income		6,533	431
Finance costs		(70,972)	(18,141)
<b>Net finance cost</b>		<b>(64,439)</b>	<b>(17,710)</b>
<b>Share of results of associates</b>		<b>(2)</b>	<b>(5)</b>
<b>Loss before tax</b>		<b>(71,053)</b>	<b>(192,446)</b>
Income tax expense	10	4,406	34,659
<b>Net loss</b>		<b>(66,647)</b>	<b>(157,787)</b>
<b>Net loss attributable to:</b>			
- owners of the Company		(66,606)	(157,787)
- non-controlling interests		(41)	-
<b>Net loss</b>		<b>(66,647)</b>	<b>(157,787)</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (RON)	9	<b>(0.20)</b>	<b>(0.46)</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**Chief Executive Officer**  
 Alexandru – Aurelian Chirita

**Chief Financial Officer**  
 Stefan Alexandru Frangulea

15 May 2023

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
 FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023  
*(All amounts are in THOUSAND RON, if not otherwise stated)*

	<b>Three month period ended</b>	
	<b>31 March 2023 (unaudited and not reviewed)</b>	<b>31 March 2022 (unaudited and not reviewed)</b>
<b>Net loss</b>	<b>(66,647)</b>	<b>(157,787)</b>
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive loss</b>	<b>(66,647)</b>	<b>(157,787)</b>
<b>Total comprehensive loss attributable to:</b>		
- owners of the Company	(66,606)	(157,787)
- non-controlling interests	(41)	-
<b>Total comprehensive loss</b>	<b>(66,647)</b>	<b>(157,787)</b>

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**Chief Executive Officer**

Alexandru – Aurelian Chirita

**Chief Financial Officer**

Stefan Alexandru Frangulea

15 May 2023



**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023  
*(All amounts are in THOUSAND RON, if not otherwise stated)*

	Attributable to the owners of the Company									
	Share capital	Share premium	Treasury shares reserve	Capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2023 (audited)	3,464,436	103,049	(75,372)	7	92,117	429,583	1,353,942	5,367,762	(516)	5,367,246
Comprehensive income										
Loss for the period (unaudited and not reviewed)	-		-	-	-	-	(66,606)	(66,606)	(41)	(66,647)
Total comprehensive loss (unaudited and not reviewed)	-		-	-	-	-	(66,606)	(66,606)	(41)	(66,647)
Changes in ownership interests	-	-	-	-	-	-	-	-	179	179
Total changes in ownership interests	-	-	-	-	-	-	-	-	179	179
Other changes in equity (unaudited and not reviewed)										
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(2,116)	-	2,116	-	-	-
Balance at 31 March 2023 (unaudited and not reviewed)	3,464,436	103,049	(75,372)	7	90,001	429,583	1,289,452	5,301,156	(378)	5,300,778

*(Continued on page 6)*

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023  
*(All amounts are in THOUSAND RON, if not otherwise stated)*

	Attributable to the owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares reserve	Capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings			
<b>Balance at 1 January 2022 (audited)</b>	<b>3,464,436</b>	<b>103,049</b>	<b>(75,372)</b>	<b>7</b>	<b>102,829</b>	<b>408,405</b>	<b>950,228</b>	<b>4,953,582</b>	<b>-</b>	<b>4,953,582</b>
<b>Comprehensive income</b>										
Loss for the period (unaudited and not reviewed)	-	-	-	-	-	-	(157,787)	(157,787)	-	(157,787)
<b>Total comprehensive loss (unaudited and not reviewed)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(157,787)</b>	<b>(157,787)</b>	<b>-</b>	<b>(157,787)</b>
<b>Other changes in equity (unaudited and not reviewed)</b>										
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(3,052)	-	3,052	-	-	-
Acquisition of subsidiary with non-controlling interests 19	-	-	-	-	-	-	-	-	(24)	(24)
<b>Balance at 31 March 2022 (unaudited and not reviewed)</b>	<b>3,464,436</b>	<b>103,049</b>	<b>(75,372)</b>	<b>7</b>	<b>99,777</b>	<b>408,405</b>	<b>795,493</b>	<b>4,795,795</b>	<b>(24)</b>	<b>4,795,771</b>

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**Chief Executive Officer**  
Alexandru – Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea

15 May 2023

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023  
*(All amounts are in THOUSAND RON, if not otherwise stated)*

		<b>Three month period ended</b>	
		<b>31 March 2023</b>	<b>31 March 2022</b>
<b>Note</b>		<b>(unaudited and not reviewed)</b>	<b>(unaudited and not reviewed)</b>
<b>Cash flows from operating activities</b>			
	Profit	<b>(66,647)</b>	<b>(157,787)</b>
<b>Adjustments for:</b>			
	Depreciation	4,456	5,201
	Amortisation	171,945	118,848
	Capitalised costs of intangible non-current assets	7 (21,082)	-
	Loss/ (Gain) on disposal of property, plant and equipment	-	(385)
	Impairment of trade and other receivables, net	11 8,602	19,701
	Adjustments for assets held for sale, net	-	(20)
	Change in provisions, net	16 (2,490)	(182)
	Net finance cost	64,439	17,710
	Income tax expense	10 (4,406)	(34,659)
	Share of loss of associates	2	5
		<b>154,819</b>	<b>(31,568)</b>
<b>Changes in:</b>			
	Trade receivables	(307,760)	(782,080)
	Subsidies receivable	7 (470,868)	(632,315)
	Other receivables	21,897	(1,638)
	Prepayments	(5,999)	(11,933)
	Inventories	12,879	5,340
	Trade payables	(31,821)	247,749
	Other payables	150,108	175,775
	Employee benefits	8,527	(7,317)
	Deferred revenue	8,159	7,259
	<b>Cash used in operating activities</b>	<b>(460,059)</b>	<b>(1,030,728)</b>
	Interest paid	(68,030)	(17,020)
	Income tax paid	-	-
	<b>Net cash used in operating activities</b>	<b>(528,089)</b>	<b>(1,047,748)</b>

*(Continued on page 8)*

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
 FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023  
 (All amounts are in THOUSAND RON, if not otherwise stated)

		Three month period ended	
	Note	31 March 2023 (unaudited and not reviewed)	31 March 2022 (unaudited and not reviewed)
<b>Cash flows from investing activities</b>			
Payments for purchase of property, plant and equipment		(2,576)	(3,498)
Payments for network construction related to concession agreements		(188,636)	(147,176)
Payments for purchase of other intangible assets		(15,466)	(982)
Proceeds from sale of property, plant and equipment		-	2,349
Interest received		870	222
Payments for acquisition of subsidiaries, net of cash acquired	19	(1,924)	(2,204)
Acquisition of investments in associates		-	-
<b>Net cash used in investing activities</b>		<b>(207,732)</b>	<b>(151,289)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long term bank borrowings	14	269,790	113,451
Proceeds from overdrafts	14	270,903	-
Repayment of long-term bank loans	14	(23,226)	(23,229)
Payment of lease liabilities		(7,922)	(3,574)
Dividends paid		-	(124)
<b>Net cash generated from financing activities</b>		<b>509,545</b>	<b>86,524</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(226,276)</b>	<b>(1,112,513)</b>
Cash and cash equivalents at 1 January		334,887	(405,572)
<b>Cash and cash equivalents at 31 March</b>	12	<b>108,611</b>	<b>(1,518,085)</b>

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

The non-cash transactions are disclosed in Note 12.

**Chief Executive Officer**

Alexandru – Aurelian Chirita

**Chief Financial Officer**

Stefan Alexandru Frangulea

15 May 2023

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023  
*(All amounts are in THOUSAND RON, if not otherwise stated)*

**1 Reporting entity and general information**

These financial statements are the condensed consolidated interim financial statements of Societatea Energetica Electrica S.A. ("the Company" or "Electrica SA") and its subsidiaries (together "the Group") as at and for the three month period ended 31 March 2023.

The registered office of the Company is 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 March 2023 and 31 December 2022, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy with an ownership share 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 (LSE). The shares traded on the London Stock Exchange are the global depository receipts, one global depository receipt representing four shares. The Bank of New York Mellon is the depository bank for these securities.

As at 31 March 2023 and 31 December 2022, the Company's subsidiaries are the following:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 31 March 2023	% 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%	99.99999929%
Electrica Furnizare S.A. ("EFSA")	Electricity and natural gas supply	28909028	Bucuresti	99.9998444099934%	99.9998444099934%
Electrica Serv S.A. ("SERV")	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	99.99998095%	99.99998095%
Electrica Producție Energie S.A. ("EPE")	Electricity generation	44854129	Bucuresti	99.9920%	99.9920%
Electrica Energie Verde 1 S.R.L.* ("EEV1" – former Long Bridge Milenium S.R.L.)	Electricity generation	19157481	Bucuresti	100%*	100%*
Sunwind Energy S.R.L.	Electricity generation	42910478	Bucuresti	100%	60%
New Trend Energy S.R.L.	Electricity generation	42921590	Constanta	60%	60%
Green Energy Consultancy & Investments S.R.L.	Electricity generation	29172101	Bucuresti	100%	75%

\*indirect shareholding - Electrica Energie Verde 1 S.R.L. is 100% owned by Electrica Productie Energie S.A. subsidiary.

As at 31 March 2023 and 31 December 2022, the Company's associates are the following:

Associate	Activity	Sole registration code	Head Office	% shareholding as at 31 March 2023	% shareholding as at 31 December 2022
Crucea Power Park S.R.L.	Electricity generation	25242042	Constanta	30%	30%
Foton Power Energy S.R.L.	Electricity generation	43652555	Constanta	30%	30%

**SOCIETATEA ENERGETICA ELECTRICA S.A.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023  
*(All amounts are in THOUSAND RON, if not otherwise stated)*

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***Changes in Group structure for the three months period ended 31 March 2023***

Acquisition of shares in subsidiaries

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 (please see Note 19).

On 24 March 2023, Electrica completed the acquisition of Sunwind Energy, which has as its main activity production of energy from photovoltaic sources. Until 31 December 2022 the project was acquired 60% (please see Note 1). The company develops the photovoltaic project "Satu Mare 2", with an installed capacity of 27 MW. The project is in the "ready-to-build" phase and is located in the vicinity of Botiz commune, Satu Mare county (please see Note 19).

***Changes in Group structure during 2022***

Acquisition of shares in subsidiaries

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..

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..

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 19).

***Group's main activities***

The 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, Dambovită, 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.

***Electricity distribution***

The distribution tariffs approved by the National Authority for Energy Regulation ("ANRE") are as follows (RON/MWh, presented cumulatively for medium and low voltage levels):

<b>Order 119/25.11.2021</b>			
<b>1 January 2022 -31 March 2022</b>			
	High voltage	Medium voltage	Low voltage
Transilvania Nord area	21.79	48.13	122.78
Transilvania Sud area	22.34	45.49	127.04
Muntenia Nord area	21.02	43.54	140.68
<b>Order 28/23.03.2022</b>			

**SOCIETATEA ENERGETICA ELECTRICA S.A.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023

*(All amounts are in THOUSAND RON, if not otherwise stated)*

	<b>Starting 1 April 2022</b>		
	High voltage	Medium voltage	Low voltage
Transilvania Nord area	23.77	57.49	144.73
Transilvania Sud area	24.63	54.52	158.84
Muntenia Nord area	23.35	56.70	175.26

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 NL, 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***

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.



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Over 2023, several changes have been brought to the legislation, having a significant impact on the supply of electricity, as follows:

- Capping the selling price for household and non-household consumers (1 November 2021 – 31 March 2025). The amounts compensated will be received from the National Agency for Payments and Social Inspection („ANPIS”) for household consumers and a from the Ministry of Energy for non-household consumers;
- 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;
- Limitation of the permitted supply component to:
  - Electricity – SoLR („Supplier of Last Resort”) 80 lei/MWh and Non SoLR 73 lei/MWh;
  - Natural gas – SoLR 13.5 lei/MWh and Non SoLR 12 lei/MWh;
- Contribution to the Energy Transition Fund for suppliers who carry out trading activity and aggregators who trade quantities of electricity and/or natural gas on the wholesale market = (Average sale price – Average purchase price x 1.02) x Quantity delivered monthly;
- Legal obligation of natural gas producers to sell at the price of 150 RON / MWh the quantities necessary for the supply of household customers / heat producers;
- Legal obligation to underground storage of natural gas of a minimum stock of natural gas at the level of 90% of the storage capacity of the warehouses. The minimum stock of natural gas for each supplier is determined depending on the share of the quantity of each supplier in the total quantity estimated at national level (ANRE Order 10/2023).

***Increase in electricity price impact***

The regulatory framework on the electricity segment has undergone significant changes in the last decade, regarding the total liberalization of the electricity and natural gas market, the implementation of the support scheme for renewable energy, the support of electricity consumers, the limitation of prices to final consumers and the capitalization of additional costs with own technological consumption.

In the period 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 electricity transportation system operator and electricity distribution system operators to cover the 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).

As a result, for ***the distribution segment***, Romanian Regulatory Authority for Energy – ANRE (<https://www.anre.ro/>) adopted measures through its Order no. 129/12.10.2022 approving the Methodological Norms regarding the recognition in the tariffs of the additional costs with the acquisition of electricity for own technological consumption 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.

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According to OUG 119/2022 and 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 established by ANRE, there is a linear depreciation over 5 years stipulated with return at 50% of Regulated Rate of Return (RRR).

For **the supply segment**, starting with 1 November 2021, following 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 among the population, in Romania, a series of support schemes were applied to electricity and gas consumers, by establishing compensation and capping schemes between November 1, 2021 and March 31, 2025.

In 2023, the electricity market is totally liberalized for all categories of customers and the price is set by suppliers through free market mechanisms, both for universal services offers and for the offers related to the competitive market, in compliance with the legal provisions on capping established for the period 1 November 2021 – 31 March 2025.

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 interim 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 condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with OMFP no. 2844/2016.

These condensed consolidated interim financial statements have been prepared for submission to the Bucharest Stock Exchange. These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on 15 May 2023.

### ***Judgements and estimates***

In preparing these interim financial statements, management has made professional judgements, estimates and assumptions that affect the application of Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant professional judgements made by management in applying the Group's accounting policies and the key

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sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended 31 December 2022.

### **3 Basis of measurement**

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for land and buildings which are measured based on the revaluation model.

### **4 Significant accounting policies**

The accounting policies applied in these interim financial statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 December 2022.

The new amendments to existing standards that are effective starting with 1 January 2023 do not have a significant impact over the Group's condensed consolidated interim financial statements.

### **5 Operating segments**

#### **(a) Basis for segmentation**

The following summary describes the operations of each reportable segment:

<b>Reportable segments</b>	<b>Operations</b>
Electricity and natural gas supply	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 ("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 segment. 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.

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### (b) Information about reportable segments

#### Three month period ended 31 March 2023 (unaudited and not reviewed)

	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	2,017,481	471,902	1,627	3,974	<b>2,494,984</b>	-	-	<b>2,494,984</b>
Inter-segment revenue	21,270	385,091	701	14,813	<b>421,875</b>	-	(421,875)	-
<b>Segment revenue</b>	<b>2,038,751</b>	<b>856,993</b>	<b>2,328</b>	<b>18,787</b>	<b>2,916,859</b>	-	<b>(421,875)</b>	<b>2,494,984</b>
Other income	987,201	34,240	-	16,681	<b>1,038,122</b>	300	(21,904)	<b>1,016,518</b>
Capitalised costs of intangible non-current assets	-	21,082	-	-	<b>21,082</b>	-	-	<b>21,082</b>
<b>Segment profit/(loss) before tax</b>	<b>32,050</b>	<b>(104,520)</b>	<b>(178)</b>	<b>(156)</b>	<b>(72,804)</b>	<b>3,447</b>	<b>(1,696)</b>	<b>(71,053)</b>
Net finance (cost)/ income	(34,586)	(46,817)	(1,054)	3,252	<b>(79,205)</b>	14,766	-	<b>(64,439)</b>
Amortization and depreciation	(3,689)	(169,298)	(648)	(2,419)	<b>(176,054)</b>	(347)	-	<b>(176,401)</b>
Adjusted EBITDA*	70,325	111,595	1,524	(989)	<b>182,455</b>	(10,972)	(1,696)	<b>169,787</b>
(Impairment)/Reversal of impairment of trade and other receivables, net	(6,489)	(2,119)	-	5	<b>(8,603)</b>	1	-	<b>(8,602)</b>
<b>Segment profit/(loss) after tax</b>	<b>24,045</b>	<b>(93,057)</b>	<b>539</b>	<b>75</b>	<b>(68,398)</b>	<b>3,447</b>	<b>(1,696)</b>	<b>(66,647)</b>
Employee benefits	(25,159)	(167,716)	(65)	(7,009)	<b>(199,949)</b>	(6,894)	-	<b>(206,843)</b>
Capital expenditure	755	176,431	-	9	<b>177,195</b>	69	-	<b>177,264</b>

#### Three month period ended 31 March 2022 (unaudited and not reviewed)

	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	2,190,974	378,536	3,354	6,181	<b>2,579,045</b>	-	-	<b>2,579,045</b>
Inter-segment revenue	16,492	381,459	-	9,477	<b>407,428</b>	-	(407,428)	-
<b>Segment revenue</b>	<b>2,207,466</b>	<b>759,995</b>	<b>3,354</b>	<b>15,658</b>	<b>2,986,473</b>	-	<b>(407,428)</b>	<b>2,579,045</b>
<b>Segment profit/(loss) before tax</b>	<b>175,748</b>	<b>(363,767)</b>	<b>1,132</b>	<b>(7,478)</b>	<b>(194,365)</b>	<b>1,924</b>	<b>(5)</b>	<b>(192,446)</b>
Net finance (cost)/ income	(8,037)	(25,423)	(151)	870	<b>(32,741)</b>	15,031	-	<b>(17,710)</b>
Amortization and depreciation	(2,883)	(117,173)	(571)	(2,985)	<b>(123,612)</b>	(437)	-	<b>(124,049)</b>
Impairment of assets held for sale	-	-	-	20	<b>20</b>	-	-	<b>20</b>
Adjusted EBITDA*	186,668	(221,171)	1,854	(5,383)	<b>(38,032)</b>	(12,670)	(5)	<b>(50,707)</b>
(Impairment)/Reversal of impairment of trade and other receivables, net	(24,123)	4,227	-	195	<b>(19,701)</b>	-	-	<b>(19,701)</b>
<b>Segment profit/(loss) after tax</b>	<b>150,920</b>	<b>(306,743)</b>	<b>834</b>	<b>(4,717)</b>	<b>(159,706)</b>	<b>1,924</b>	<b>(5)</b>	<b>(157,787)</b>
Employee benefits	(25,881)	(146,041)	(17)	(7,406)	<b>(179,345)</b>	(8,205)	-	<b>(187,550)</b>
Capital expenditure	1,709	111,851	-	742	<b>114,302</b>	1,254	-	<b>115,556</b>

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<b>At 31 March 2023</b> <b>(unaudited and not reviewed)</b>	<b>Electricity and natural gas supply</b>	<b>Electricity distribution</b>	<b>Electricity generation</b>	<b>External electricity network maintenance</b>	<b>Total for reportable segments</b>	<b>Headquarter</b>	<b>Consolidation eliminations and adjustments</b>	<b>Consolidated total</b>
<b>Segment assets</b>	<b>4,756,530</b>	<b>9,213,900</b>	<b>152,175</b>	<b>426,883</b>	<b>14,549,488</b>	<b>111,358</b>	<b>(2,541,810)</b>	<b>12,119,036</b>
Trade and other receivables	2,833,808	1,052,871	6,110	94,083	<b>3,986,872</b>	(23)	(1,207,930)	<b>2,778,919</b>
Cash and cash equivalents	66,389	30,595	6,297	1,481	<b>104,762</b>	3,849	-	<b>108,611</b>
Trade and other payables and short term employee benefits	2,524,102	1,077,259	8,117	62,484	<b>3,671,962</b>	40,003	(1,188,030)	<b>2,523,935</b>
Bank overdrafts	1,940,686	695,369	-	-	<b>2,636,055</b>	205,885	-	<b>2,841,940</b>
Lease liability	7,718	26,432	12,249	1,872	<b>48,271</b>	168	-	<b>48,439</b>
Bank borrowings	-	878,486	-	-	<b>878,486</b>	123,900	-	<b>1,002,386</b>
<b>At 31 December 2022</b> <b>(audited)</b>	<b>Electricity and natural gas supply</b>	<b>Electricity distribution</b>	<b>Electricity generation</b>	<b>External electricity network maintenance</b>	<b>Total for reportable segments</b>	<b>Headquarter</b>	<b>Consolidation eliminations and adjustments</b>	<b>Consolidated total</b>
<b>Segment assets</b>	<b>4,141,083</b>	<b>9,076,633</b>	<b>146,743</b>	<b>418,940</b>	<b>13,783,399</b>	<b>213,625</b>	<b>(2,373,712)</b>	<b>11,623,312</b>
Trade and other receivables	2,579,678	960,913	5,265	90,557	<b>3,636,413</b>	378	(1,043,536)	<b>2,593,255</b>
Cash and cash equivalents	148,919	69,826	4,889	5,623	<b>229,257</b>	105,630	-	<b>334,887</b>
Trade and other payables and short term employee benefits	2,365,894	1,026,377	16,101	42,313	<b>3,450,685</b>	44,399	(1,033,845)	<b>2,461,239</b>
Bank overdrafts	1,589,801	772,098	-	-	<b>2,361,899</b>	209,138	-	<b>2,571,037</b>
Lease liability	8,469	33,830	12,088	(983)	<b>53,404</b>	269	-	<b>53,673</b>
Bank borrowings	-	660,713	-	-	<b>660,713</b>	100,000	-	<b>760,713</b>

*\*Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation) 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) adjustments for 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.*

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**6 Revenue**

	<b>Three month period ended</b>	
	<b>31 March 2023 (unaudited and not reviewed)</b>	<b>31 March 2022 (unaudited and not reviewed)</b>
Electricity distribution and supply	2,216,409	2,355,857
Supply of natural gas	83,053	96,840
Construction revenue related to concession agreements	176,431	111,851
Repairs, maintenance and other services rendered	17,190	12,085
Sale of green certificates	638	1,151
Services related to re-connection fees	1,189	1,093
Sales of merchandise	74	168
<b>Total</b>	<b>2,494,984</b>	<b>2,579,045</b>

In respect of timing of revenue recognition, most of the Group's services provided are transferred to the customer over time, only a small part amounting to RON 671 thousand (three month period ended 31 March 2022: RON 466 thousand) being transferred at a point in time (e.g. metering services provided by the distribution companies, providing periodic data analysis to customers for certain taxes collected on their behalf, sale of merchandise).

**7 Other income**

	<b>Three month period ended</b>	
	<b>31 March 2023 (unaudited and not reviewed)</b>	<b>31 March 2022 (unaudited and not reviewed)</b>
Subsidies	987,255	632,315
Rental income	22,889	23,521
Late payment penalties from customers	2,978	5,423
Income from notices	-	1,067
Other	3,396	16,671
<b>Total</b>	<b>1,016,518</b>	<b>678,997</b>

During the three month period ended 31 March 2023, Electrica Furnizare S.A. recognized subsidies of RON 987,225 thousand (three month period ended 31 March 2022: RON 632,315 thousand).

**8 Electricity and natural gas purchased**

	<b>Three month period ended</b>	
	<b>31 March 2023 (unaudited and not reviewed)</b>	<b>31 March 2022 (unaudited and not reviewed)</b>
Electricity purchased	2,584,416	2,518,368
Green certificates purchased	140,047	164,578
Natural gas purchased	118,014	189,585
<b>Total</b>	<b>2,842,477</b>	<b>2,872,531</b>

The supply subsidiary 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 supplied to final customers. The cost of green certificates is then invoiced to final customers separately from electricity tariffs and included in the caption "Electricity distribution and supply" as presented in Note 6.

**9 Earnings per share**

The calculation of basic and diluted earnings per share has been based on the following profit attributable to Company's

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shareholders and weighted-average number of ordinary shares outstanding:

*Profit for the period attributable to the Company's shareholders*

	<b>Three month period ended</b>	
	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>(unaudited and not reviewed)</b>	<b>(unaudited and not reviewed)</b>
Profit/(Loss) for the period attributable to the owners of the Company	(66,606)	(157,787)
<b>Profit/(Loss) for the period attributable to Company's shareholders</b>	<b>(66,606)</b>	<b>(157,787)</b>

*Weighted-average number of outstanding ordinary shares (in number of shares)*

For the calculation of the 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.

The weighted average number of outstanding ordinary shares (unaudited and not reviewed) as at 31 March 2023 is 339,553,004 (31 March 2022: 339,553,004).

**Earnings per share**

Basic and diluted earnings/(loss) per share (RON)

	<b>Three month period ended</b>	
	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>(unaudited and not reviewed)</b>	<b>(unaudited and not reviewed)</b>
	<b>(0.20)</b>	<b>(0.46)</b>

**10 Income tax**

*Amounts recognised in profit or loss*

Current tax expense  
Deferred tax expense  
**Total income tax expense**

	<b>Three month period ended</b>	
	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>(unaudited and not reviewed)</b>	<b>(unaudited and not reviewed)</b>
	5,733	-
	(10,139)	(34,659)
	<b>(4,406)</b>	<b>(34,659)</b>

**11 Trade receivables**

Trade receivables, gross  
Bad debt allowance  
**Total trade receivables, net**

	<b>31 March 2023</b>	<b>31 December 2022</b>
	<b>(unaudited and not reviewed)</b>	<b>(audited)</b>
	3,371,280	3,118,691
	(661,129)	(652,689)
	<b>2,710,151</b>	<b>2,466,002</b>

Receivables from related parties are disclosed in Note 18.

*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

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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 March 2023, the amounts estimated to be received from the Ministry of Energy for non-household consumers are 9,852 thousand RON (31 December 2022: 20,480 thousand RON) and 16,641 thousand RON (31 December 2022: 21,043 thousand RON) from the National Agency for Payments and Social Inspection for household consumers.

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".

The reconciliation between the opening balances and the closing balances of the lifetime expected credit losses is as follows:

<b>Lifetime expected credit losses</b>	<b>Three month period ended</b>	
	<b>31 March 2023 (unaudited and not reviewed)</b>	<b>31 March 2022 (unaudited and not reviewed)</b>
<b>Balance as at 1 January (audited)</b>	<b>652,689</b>	<b>980,858</b>
Loss allowance recognized	30,294	30,208
Loss allowance reversed	(21,692)	(10,507)
Amounts written off	(162)	(310)
<b>Balance as at 31 March (unaudited and not reviewed)</b>	<b>661,129</b>	<b>1,000,249</b>

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 .

**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.

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 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 30,294 thousand.



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**12 Cash and cash equivalents**

	<b>31 March 2023 (unaudited and not reviewed)</b>	<b>31 December 2022 (audited)</b>
Bank current accounts	79,819	141,656
Call deposits	28,651	193,219
Cash in hand	141	12
<b>Total cash and cash equivalents in the condensed consolidated statement of financial position</b>	<b>108,611</b>	<b>334,887</b>

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 55,395 thousand in 2023 (2022: RON 53,106 thousand).

**13 Other payables**

	<b>31 March 2023 (unaudited and not reviewed)</b>		<b>31 December 2022 (audited)</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
VAT payable	697,679	-	565,075	-
Liabilities towards the State	13,813	-	11,733	-
Other liabilities	319,937	72,776	290,728	72,432
<b>Total</b>	<b>1,031,429</b>	<b>72,776</b>	<b>867,536</b>	<b>72,432</b>

Other liabilities include mainly guarantees, connection fees, habitat tax and cogeneration contribution. Other non-current liabilities refer to guarantees from customers related to electricity supply.

**14 Long-term bank borrowings**

Drawings and repayments of borrowings during the three month period ended 31 March 2023 were as follows:

	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity year</b>	<b>Amount (RON thousand)</b>
<b>Balance at 1 January 2023 (audited)</b>				<b>760,713</b>
<b>Drawings of borrowings during the period, out of which:</b>				
Eximbank Romania	RON	ROBOR 3M+1,65%	2024	245,890
Vista Bank	RON	ROBOR 3M+2,95%	2024	23,900
<b>Total drawings</b>				<b>269,790</b>
Accumulated interest				4,233
Payment of interest				(9,124)
<b>Reimbursements, out of which:</b>				<b>23,226</b>
BRD	RON	3,99%	2026	5,200
BRD	RON	3,85%	2028	3,571
BRD	RON	3,85%	2028	2,854
Banca Transilvania	RON	4,59%	2027	4,464
Unicredit Bank	RON	3,85%	2026	2,400
BCR	RON	ROBOR 3M+1%	2028	4,737
<b>Balance at 31 March 2023 (unaudited and not reviewed)</b>				<b>1,002,386</b>

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As at 31 March 2023 and 31 December 2022, the long term bank borrowings are as follows:

<b>Lender</b>	<b>Borrower</b>	<b>Balance at 31 March 2023 (unaudited and not reviewed)</b>	<b>Balance at 31 December 2022 (audited)</b>
Banca Transilvania	Distributie Energie Electrica Romania (former SDEE Transilvania Sud S.A.)	75,903	80,367
UniCredit Bank	Distributie Energie Electrica Romania (former SDEE Transilvania Nord S.A.)	36,361	38,793
BRD	Distributie Energie Electrica Romania (former SDEE Muntenia Nord S.A.)	78,000	83,200
BRD	Distributie Energie Electrica Romania (former SDEE Transilvania Nord S.A.)	75,000	78,571
BRD	Distributie Energie Electrica Romania (former SDEE Transilvania Sud S.A.)	60,045	62,904
BCR	Distributie Energie Electrica Romania (former SDEE Muntenia Nord S.A.)	104,999	109,785
EBRD	Distributie Energie Electrica Romania	198,060	202,983
Eximbank Romania	Distributie Energie Electrica Romania	250,118	4,110
Vista Bank	Societatea Energetica Electrica S.A.	123,900	100,000
<b>Total, out of which:</b>		<b>1,002,386</b>	<b>760,713</b>
Current portion of the long-term bank borrowings		(236,414)	(104,400)
Accumulated interest		(4,233)	(9,120)
Long term borrowings		<b>761,739</b>	<b>647,193</b>

**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 March 2023, the outstanding balance is of RON 75,903 thousand, of which RON 75,893 thousand principal and RON 10 thousand accrued interest. (Outstanding balance as at 31 December 2022: RON 80,367 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 March 2023, the outstanding balance is of RON 36,361 thousand, of which RON 36,000 thousand principal and RON 361 thousand accrued interest (Outstanding balance as at 31 December 2022: RON 38,793 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;

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Reimbursements: quarterly instalments until 28.10.2026; Grace period: 12 months. As at 31 March 2023, the outstanding balance is of RON 78,000 thousand. (Outstanding balance as at 31 December 2022: RON 83,200 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 March 2023, the outstanding balance is of RON 75,000 thousand. (Outstanding balance as at 31 December 2022: RON 78,751 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 March 2023, the outstanding balance is RON 60,045 thousand, of which RON 60,000 thousand principal and RON 45 thousand accrued interest. (Outstanding balance as at 31 December 2022: RON 62,904 thousand)

*f) Investment loan granted by Banca Comerciala Romana ("BCR")*

On 17 September 2020, Societatea de Distributie a Energiei Electrice 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 March 2023, the outstanding balance is RON 104,999 thousand, of which RON 104,224 thousand principal and RON 775 thousand accrued interest. (Outstanding balance as at 31 December 2022: RON 109,785 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 March 2023, the outstanding balance is RON 198,060 thousand, of which RON 195,136 thousand principal and RON 2,924 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 March 2023, the outstanding balance is Nil as no withdraw was made from the loan. The loan agreement is guaranteed by Electrica SA.

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*(All amounts are in THOUSAND RON, if not otherwise stated)**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 March 2023, the outstanding balance is RON 250,118 thousand, of which RON 250,000 thousand principal and RON 118 thousand accrued interest (31 December 2022: 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: ROBOR 3M +2.95 % p.a.; full refund at maturity. On 31 March 2023, the balance of the loan is 123,900 thousand RON (31 December 2022: 100,000 thousand)

**15 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 2,959,111 RON thousand (Total overdraft limit as at 31 December 2022: RON 2,743,542 thousand).

The overdraft facilities are used for financing activities. The outstanding balance of the overdraft facilities as at 31 March 2023 is of 2,841,940 RON thousand (31 December 2022: RON 2,571,037).

As at 31 March 2023 and 31 December 2022, the overdrafts are as follows:

<b>Lender</b>	<b>Borrower</b>	<b>Balance at 31 March 2023 (unaudited and not reviewed)</b>	<b>Balance at 31 December 2022 (audited)</b>
ING Bank N.V	Societatea Energetica Electrica S.A.	205,885	209,138
Alpha Bank	Electrica Furnizare S.A.	296,946	147,497
BCR	Electrica Furnizare S.A.	373,987	227,311
BRD	Electrica Furnizare S.A.	219,129	216,570
Banca Transilvania	Electrica Furnizare S.A.	187,881	185,528
ING Bank N.V	Electrica Furnizare S.A.	169,785	169,600
Raiffeisen Bank	Electrica Furnizare S.A.	363,618	343,001
UniCredit Bank	Electrica Furnizare S.A.	300,374	300,294
BNP Paribas	Electrica Furnizare S.A.	28,966	-
BCR	Distributie Energie Electrica Romania S.A	129,646	208,412
Banca Transilvania	Distributie Energie Electrica Romania S.A	159,356	158,965
ING Bank N.V	Distributie Energie Electrica Romania S.A	49,944	49,855
Intesa San Paolo	Distributie Energie Electrica Romania S.A	135,167	135,096
Raiffeisen Bank	Distributie Energie Electrica Romania S.A	221,256	219,770
<b>Total</b>		<b>2,841,940</b>	<b>2,571,037</b>

**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 March 2023 and 31 December 2022

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**16 Provisions**

	<b>Fiscal</b>	<b>Others</b>	<b>Total provisions</b>
<b>Balance at 1 January 2023 (audited)</b>	<b>1,084</b>	<b>52,617</b>	<b>53,701</b>
Provisions recognised	-	322	322
Provisions used	-	(188)	(188)
Provisions reversed	-	(2,624)	(2,624)
<b>Balance at 31 March 2023 (unaudited and not reviewed)</b>	<b>1,084</b>	<b>50,127</b>	<b>51,211</b>

As at 31 March 2023 provisions mainly refer to benefits upon the termination of executive directors' mandate contracts in the form of a non-compete clause of RON 701 thousand (31 December 2022: 1,839 RON thousand) and for various claims and litigations involving the Group companies with a total amount of RON 50,510 thousand (31 December 2022: 51,862 RON thousand).

**17 Financial instruments – fair values**

**(a) Accounting classifications and fair values**

According to IFRS 9, financial assets are measured at amortised cost because 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) Measurement of fair values**

*Fair value hierarchy*

The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (eg. prices) or indirectly (eg. derived from prices);
- Level 3: inputs from an asset or a liability that are not based on observable market data (unobservable inputs).

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**18 Related parties**

**(a) Main shareholders**

As at 31 March 2023 and 31 December 2023, 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 directors' compensation**

**Executive management compensation**

<b>Three month period ended</b>	
<b>31 March 2023</b> <b>(unaudited and not reviewed)</b>	<b>31 March 2022</b> <b>(unaudited and not reviewed)</b>
<b>8,851</b>	<b>8,750</b>

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:

**Members of the Board of Directors**

<b>Three month period ended</b>	
<b>31 March 2023</b> <b>(unaudited and not reviewed)</b>	<b>31 March 2022</b> <b>(unaudited and not reviewed)</b>
<b>1,105</b>	<b>1,110</b>

**(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 and gas, transport and system services and sale of electricity. Significant purchases and balances are mainly with electricity and gas producers/suppliers, as follows:

<b>Supplier</b>	<b>Purchases (excluding VAT)</b>		<b>Balance (including VAT)</b>	
	<b>Three month period ended 31 March 2023</b> <b>(unaudited and not reviewed)</b>	<b>Three month period ended 31 March 2022</b> <b>(unaudited and not reviewed)</b>	<b>31 March 2023</b> <b>(unaudited and not reviewed)</b>	<b>31 December 2022 (audited)</b>
OPCOM	933,003	729,077	144,377	23,981
Transelectrica	140,542	250,324	84,861	185,856
Nuclearelectrica	240,436	184,792	95,325	93,013
Complexul Energetic Oltenia	272,314	143,790	112,834	45,257
Hidroelectrica	44,402	89,213	20,593	42,493
OMV Petrom SA	-	-	-	26,349
Electrocentrale Bucuresti	-	181,919	-	-
ANRE	16,590	10,292	12,426	14
Transgaz	2,645	2,706	616	986
SNGN Romgaz SA	10,482	33,440	6,621	7,445
Others	2,119	1,487	1,360	1,168
<b>Total</b>	<b>1,662,533</b>	<b>1,627,040</b>	<b>479,013</b>	<b>426,562</b>

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The Group also makes sales to other entities in which the State has control or significant influence representing electricity supply, of which the most significant transactions are the following:

	<b>Sales (excluding VAT)</b>	<b>Balance, gross (including VAT)</b>	<b>Allowance</b>	<b>Balance, net</b>
<b>Client</b>	<b>Three month period ended 31 March 2023 (unaudited and not reviewed)</b>	<b>31 March 2023 (unaudited and not reviewed)</b>		
OPCOM	15,103	3,120	-	3,120
Transelectrica	43,134	8,543	-	8,543
Hidroelectrica	60,362	24,636	-	24,636
CN Romarm	242	287	123	164
SNGN Romgaz	16,280	1,801	9	1,792
Transgaz	721	330	-	330
CFR Electrificare	3,007	2,342	-	2,342
CN Remin SA	-	71,166	71,216	(50)
Oltchim	-	115,426	115,426	-
C.N.C.A.F. MINVEST SA	-	26,802	26,802	-
CET Braila	(3)	3,361	3,361	-
Termoelectrica	-	1,206	1,206	-
Agentia Nationala pentru Plati si Inspectie Sociala	-	16,641	-	16,641
Ministerul Energiei (*)	987,255	1,761,508	-	1,761,508
Altii	24,042	9,133	432	8,701
<b>Total</b>	<b>1,150,143</b>	<b>2,046,302</b>	<b>218,575</b>	<b>1,827,727</b>

(\*) During the three month period ended 31 March 2023, Electrica Furnizare S.A. recognized subsidies in amount of RON 987,255 thousand, to be received from the Ministry of Energy, following the application of the capping price mechanism for the electricity and natural gas according to the legislation in force.

	<b>Sales (excluding VAT)</b>	<b>Balance, gross (including VAT)</b>	<b>Allowance</b>	<b>Balance, net</b>
<b>Client</b>	<b>Three month period ended 31 March 2022 (unaudited and not reviewed)</b>	<b>31 December 2022 (audited)</b>		
OPCOM	103,874	22,630	-	22,630
Transelectrica	31,502	112,754	-	112,754
Hidroelectrica	15,153	16,429	-	16,429
CN Romarm	6,074	648	0	648
SNGN Romgaz	5,478	2,253	9	2,245
Transgaz	4,711	764	0	764
CFR Electrificare	2,572	2,089	-	2,089
CN Remin SA	516	71,279	71,148	132
Oltchim	-	115,943	115,943	-
C.N.C.A.F. MINVEST SA	-	26,802	26,802	-
CET Braila	-	3,365	3,361	3
Termoelectrica	-	1,206	1,206	-
National Agency for Payments and Social Inspection	-	21,043	-	21,043
Ministry of Energy (*)	632,315	1,301,268	-	1,301,268
Others	7,778	11,277	522	10,754
<b>Total</b>	<b>809,973</b>	<b>1,709,750</b>	<b>218,991</b>	<b>1,490,759</b>

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**19 Acquisition of subsidiaries**

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:

	<b>Green Energy Consultancy &amp; Investments S.R.L. (31 March 2023)</b>	<b>New Trend Energy S.R.L. (31 May 2022)</b>	<b>Sunwind Energy S.R.L. (31 March 2023)</b>	<b>Total</b>
Cash	1,190	802	734	<b>2,726</b>
Fair value of pre-existing interest	1,446	4,786	4,394	<b>10,626</b>
<b>Consideration transferred</b>	<b>2,636</b>	<b>5,588</b>	<b>5,128</b>	<b>13,352</b>

**B. Acquisition-related costs**

The Group incurred in 2022 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:

	<b>Green Energy Consultancy &amp; Investments S.R.L. (31 March 2023)</b>	<b>New Trend Energy S.R.L. (31 May 2022)</b>	<b>Sunwind Energy S.R.L. (31 March 2023)</b>	<b>Total</b>
Property, plant and equipment	1,686	273	2,118	<b>4,077</b>
Right of use assets	2,047	6,095	2,765	<b>10,907</b>
Trade and other receivables	-	46	327	<b>373</b>
Cash and Cash equivalents	66	7	2	<b>75</b>
<b>Total assets</b>	<b>3,799</b>	<b>6,421</b>	<b>5,212</b>	<b>15,432</b>
Trade and other payables	-	(1)	(1,587)	(1,588)
Finance lease liability	(2,047)	(6,764)	(3,284)	(12,095)
Other non-current liabilities	-	(332)	(216)	(548)
Other payables	(1,783)	(8)	(626)	(2,417)
<b>Total liabilities</b>	<b>(3,830)</b>	<b>(7,105)</b>	<b>(5,713)</b>	<b>(16,648)</b>
<b>Net assets</b>	<b>(31)</b>	<b>(684)</b>	<b>(501)</b>	<b>(1,216)</b>



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**D. Goodwill**

Goodwill arising from the acquisition has been recognised as follows:

	<b>Green Energy Consultancy &amp; Investments S.R.L. (31 March 2023)</b>	<b>New Trend Energy S.R.L. (31 May 2022)</b>	<b>Sunwind Energy S.R.L. (31 March 2023)</b>	<b>Total</b>
Consideration transferred	2,636	5,588	5,128	<b>13,352</b>
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities	-	(274)	-	<b>(274)</b>
Fair value of identifiable net assets	-	684	-	<b>684</b>
<b>Goodwill</b>	<b>2,636</b>	<b>5,998</b>	<b>5,128</b>	<b>13,762</b>

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. None of the goodwill recognized is expected to be deductible for tax purposes.

**20 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 because of controls and litigations with tax authorities. The management of the Group believes that adequate provisions and liabilities 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 former SDEE Muntenia Nord S.A. subsidiary (currently Distributie Energie Electrica Romania S.A.)***

The former SDEE Muntenia Nord S.A. subsidiary (currently Distributie Energie Electrica Romania S.A.) was subject to a tax audit performed by the Local Taxes Department of Galati City Hall that referred to the taxes on buildings 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-payment 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, next court term being on 31.01.2024.

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The Group recognised an expense of RON 12,051 thousand during the year ended 31 December 2019. 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 (eg. with ANRE, ANAF, Court of Accounts, claims for damages, claims over land titles, labour related litigations etc.).

As summarised in Note 16, the Group made 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 disclose information in the financial statements and did not make provisions for litigations and claims for which management assessed a remote possibility of outflow of economic benefits.

If applicable, the Group discloses information on the most significant amounts subject to litigations or claims for which the Group did not make 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).

**21 Subsequent events**

***The resolution of the Ordinary General Shareholders Meeting ("OGSM")***

**Approval of the distribution of dividends**

The Ordinary General Shareholders Meeting dated 27 April 2023 approved the distribution of dividends for the financial year 2022 for a gross amount of RON 39,999 thousand (the gross dividend per share being RON 0.1178 and the payment date of the dividends being 23 June 2023).

**Change in distribution of energy tariffs starting 1 April 2023**

According to ANRE Order no. 27/29.03.2023, the specific tariffs for the electricity distribution service applicable starting 1 April 2023 for Muntenia Nord area, Transilvania Nord area, and Transilvania Sud area and as compared to those applicable starting 1 April 2022 (the last time they were modified), are as follows (RON/MWh, presented cumulatively for medium and low voltage levels):

	<b>Order 27/29.03.2023</b>		
	<b>Starting 1 April 2023</b>		
	High voltage	Medium voltage	Low voltage
Transilvania Nord area	29.09	71.38	182.24
Transilvania Sud area	28.48	62.32	171.97
Muntenia Nord area	31.23	69.44	229.96

**Chief Executive Officer**  
Alexandru – Aurelian Chirita

**Chief Financial Officer**  
Stefan Alexandru Frangulea

15 May 2023