



CONSOLIDATED DIRECTORS' REPORT

for the nine-month period ended 30 September

2022 (9M 2022)

(based on the condensed consolidated interim financial statements 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)

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

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

Table of contents

1. Identification Details Of The Issuer	4
2. Highlights	5
2.1. Relevant key events from January to September 2022 (9M 2022).....	5
2.2. Summary of financial indicators.....	49
2.3. Risks and uncertainties.....	50
3. Organizational Structure.....	52
3.1. Group Structure.....	52
3.2. The main elements of the Strategic Plan for the period 2019 – 2023.....	53
3.3. Key information by segments.....	54
4. Shareholders' Structure	58
5. Operational Results	60
6. Outlook	69
7. Capital Expenditures	74
8. Statements	75
9. Annexes	76
9.1. Economic and financial indicators of Electrica Group as of 30 September 2022 according to Annex 13/ASF Regulation no. 5/2018.....	76
Glossary	77

1. Identification Details Of The Issuer

Report date: 15 November 2022

Company name: Societatea Energetica Electrica S.A.

Headquarters: no. 9 Grigore Alexandrescu Street, 1st 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 Depository Receipts (ticker: ELSA) are listed on the London Stock Exchange

Applicable accounting standards: OMFP no. 2844/2016, for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards adopted by the European Union with subsequent changes

Reporting period: 9 months 2022 (period 1 January – 30 September 2022)

Audit/Review: The condensed consolidated interim financial statements as of and for the nine months period ended 30 September 2022 are not reviewed or audited by an independent financial auditor

	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 Distributie 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 2022.

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 the segment of electricity production, especially from renewable sources, starting with the year 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 acquired five production park projects (four photovoltaic - 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).

The consolidated report of the administrators for the nine months period ended 30 September 2022 contains the main events that took place in the period of 9 months of the current financial year (detailed below) and their impact on the accounting reporting is included in both the performance and the financial position of the Group. Significant events subsequent to the reporting date are also included.

2.1. Relevant key events from January to September 2022 (9M 2022)

During the nine months period ended 30 September 2022 the following main events took place:

General Meetings of Shareholders (GMS) ELSA:

- On 28 January 2022, ELSA's BoD convened the **Extraordinary General Meeting of Shareholders (EGMS) for 21 March 2022**, which mainly approved the empowerment of ELSA's representative in the EGMS of EFSA to vote for the total ceiling of short-term financing that can be contracted by EFSA during the 2022 financial year from bank institutions (commercial banks or international financial institutions) to finance the current activity in the amount of up to RON 1,5 bln, with ELSA's guarantee of maximum RON 1,65 bln. The EGMS resolution is available on Electrica's website below:
<https://www.electrica.ro/en/investors/general-meetings-of-shareholders/2022-gms/general-meeting-of-shareholders-as-of-21-march-2022/>.
- On 28 February 2022, ELSA's BoD convened the **Ordinary General Meeting of Shareholders (OGMS)** and

the Extraordinary General Meeting of Shareholders (EGMS) of ELSA, for 20 April 2022.

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

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

The shareholders who participated in the EGMS mainly approved a ceiling of up to RON 900,000,000 for the bond issues of Electrica for the period 2022-2023, as well as the empowerment of ELSA's BoD to take all measures to carry out and complete the bond issuance operations. The GMS resolutions are available on Electrica's website below:

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

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

- the empowerment of Electrica's representative to participate in EFSA's EGMS and vote for increasing the total ceiling of short-term financing that can be contracted by EFSA during the financial year 2022 for financing its current activity up to the amount of RON 1,7 bln. with Electrica's guarantee of maximum RON 1,87 bln.
- the empowerment of Electrica's representative, to participate in DEER's EGMS and to vote for the approval of a total ceiling of medium and long term financing that can be contracted by DEER during the financial year 2022 from banking institutions to cover the additional costs related to own technological consumption as well as to finance the working capital and the investment projects in value of up to RON 0,7 bln., with the guarantee of Electrica of maximum RON 0,77 bln.
- a total ceiling of guarantees (which will not be real guarantees) that may be granted by Electrica for the above-mentioned financing in the amount of up to RON 1,87 bln. for EFSA and of up to RON 0,77 bln. for DEER.

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

On 18 August 2022, ELSA's BoD decided to convene the **Extraordinary General Meeting of Shareholders (EGMS) ELSA, for 12 October 2022**, the topics on the agenda being related to the update of the Articles of Association on the Company.

The most relevant decisions of the Board of Directors ELSA:

- During the meeting of 3 January 2022, ELSA's BoD decided the nomination of Mr. Stefan-Alexandru Frangulea, as interim executive director of Financial Department, starting with 4 January 2022 until 31 December 2022.
- During the meeting held on 31 January 2022, Board of Directors ELSA endorsed the draft amendment to the Constitutive Act of Electrica, which it underwent to consult the interested parties, and will be submitted for the approval of the General Meeting of Shareholders, after the completion of the consultation process.

The initial deadline for submitting proposals, 21 February 2022, was extended until 14 May 2022. The amendment proposals can be found on the company's website, together with the Articles of Incorporation in the form proposed by the Board of Directors of the Company, by accessing the following link: <https://www.electrica.ro/en/investors/corporate-governance/corporate-policies/>. On 15 July 2022, ELSA's BoD organized a workshop with shareholders to present these proposals.

- During the meeting of 2 February 2022, Board of Directors ELSA approved the implementation of a reorganization process of the Company's personnel structure and the initiation of the collective dismissal procedure, the modification of the organizational structure of the Company with effect from 01 March 2022, the notification of the relevant authorities and of the Trade Union regarding the final decision of the Company to implement the reorganization process and to carry out the collective dismissal of the employees who currently occupy the positions which will be abolished, as well as the transmission of all data and information stipulated by art. 72 of the Labor Code, including the result of the information and consultation process with the Trade Union.

Regarding the necessity and opportunity of carrying out the reorganization process of the Company's personnel structure, it is mentioned that it is part of a larger complex of measures considered by the executive management and the Board of Directors of the Company, regarding the global transformation process of the Electrica group, to prepare both Electrica and each of its subsidiaries, to act agilely in a field marked by volatility, uncertainty and complexity, to face the challenges in the internal and external environment and to strengthen their financial performance, on the basis of which they can transpose the development projects about which shareholders and investors are informed in accordance with the transparency principles adopted by the Company.

The organizational measures provided in the Reorganization Plan have as objectives the resizing and the redefining of the Company's personnel structure, as well as of its organization and functioning mode, for the optimal correlation between the number of employees and the functions performed, in accordance with the current activity conditions on the energy market. Through the implementation of the organizational transformation project, a reduction from 120 positions to 85 positions was obtained and a flattened structure by reducing the number of hierarchical levels. As a result of this approach, the number of organizational entities within the Company decreased by 19%, while the number of management/coordination positions decreased by 25%.

- During the meeting on 15 April, the Board of Directors of ELSA approved **the consolidated value of the Investment Plan (CAPEX)** of the Group for 2022, in the total amount of RON 750.5 mn. From this value:
 - RON 689.0 mn represents the 2022 annual investment plan of the distribution subsidiary Distributie Energie Electrica Romania S.A. regarding the investments (the financial part of the investments' individual plan);
 - RON 47.2 mn represents the 2022 annual investment plan of Electrica Furnizare S.A. regarding the investments (the financial part of the investments' individual plan);
 - RON 3.6 mn represents the 2022 annual investment plan of Electrica Serv S.A. regarding the investments (the financial part of the investments' individual plan).
- Also on 15 April 2022, ELSA's BoD approved the revised version of the Electric Group Strategy for 2019-2023. The update of the Electrica Group Strategy enhances the benefits obtained through the transformation processes carried out in the distribution and supply companies and addresses the opportunities in order to prepare the Group for a sustainable growth. The revised strategy emphasizes the digital agility and transformation of the business, as well as the expansion of the business in complementary areas. The main elements of it can be found here: <https://www.electrica.ro/en/investors/strategy-overview/key-elements-of-the-2019-2023-electrica-group-strategy/>.
- During the meeting on 5 May 2022, the Board of Directors of the Company (BoD) decided to revoke Mrs. Georgeta-Corina Popescu from the position of General Manager, without cause, starting with 16 May 2022 and

the appointment of Mr. Chirita Alexandru-Aurelian, as interim General Manager, starting with 17 May 2022, for a period of 3 months, or until the appointment of a new General Manager, respectively until the revocation.

- On 25 May 2022, Electrica published the revised version of the Dividend Policy - the revised Policy on Organizing and Running the General Meetings of Shareholders, as approved by the Board of Directors ELSA. These are available on ELSA's website at the address: <https://www.electrica.ro/en/investors/corporate-governance/corporate-policies/>.
- On 16 August 2022, ELSA's BoD decided to extend the appointment of Mr. Chirita Alexandru-Aurelian as interim CEO, until 31 December 2022, or until the appointment of a new CEO, respectively until the revocation, whichever occurs first, with the possibility of revoking the mandate granted at any time during the period.
- On 17 August 2022, ELSA's BoD approved the revised version of the Policy on Organizing and Running the General Meetings of Shareholders of Electrica S.A. - the revised version of the Procedure for using electronic means of participation and voting at the General Meetings of Shareholders of Electrica SA. The documents are published on Electrica's website on the *Investors* section -> *General Meeting of Shareholders*: <https://www.electrica.ro/en/investors/general-meetings-of-shareholders/>
- On 18 August 2022, ELSA's BoD decided to convene the Extraordinary General Meeting of Shareholders (EGMS) ELSA, for 12 October 2022, the topics on the agenda being related to the update of the Articles of Association on the Company.

Other relevant events in the first 9 months of 2022

- On 3 January 2022, the mandate of the Chief Financial Officer, Mr. Mihai Darie ended, by reaching the four-year term.
- By the Decision no H879/2022 of the Hungarian Energy and Public Utility Regulatory Authority, on 2 February 2022, an electricity trading License was granted to EFSA – the Company's supply subsidiary. This license will allow EFSA to register and trade electricity in Hungary, on the wholesale market, including the derivatives market, the operations being performed from EFSA's headquarters.
- On 31 March 2022, at the recommendation of the Strategy and Corporate Governance Committee, ELSA's BoD decided to reposition Electrica Energie Verde 1 SRL (EEV1) within the Group by concluding a transaction between EFSA, as seller and sole shareholder of EEV1, and Electrica Productie Energie S.A. (EPE), as buyer and approved the granting of a loan in the amount of up to the RON equivalent of EUR 9,541,000 for the maximum term for one year, by ELSA to EPE in order to finance the acquisition of the shares of EEV1 as well as the takeover of the related shareholder loans. The transaction's object was the acquisition by EPE of all the shares of EEV1 for a price of EUR 9,541,000, to be completed following the signing of all relevant contracts and documents. The actual transaction was concluded on 15 July 2022 and was finalized with the fulfillment of the legal formalities at the Trade Registry on 21 July 2022.
- During the meeting on 15 April, ELSA's BoD took note of the notification regarding the waiver of the mandate of the Executive Director of Business Development submitted by Mr. Stefan-Ionut Pascu and considers the date of effective termination date to be 30 April 2022, representing the last day when the mandate contract produces effects.
- On 6 July 2022, Electrica signed, as buyer, a shares sales and purchase agreement ("SPA") in one project company having as main object of activity the production of energy from renewable sources. The contract concerns the acquisition of 100% of the shares of Green Energy Consultancy & Investments S.R.L., wholly owned by sellers, for a total estimated price of EUR 600,000. The final price will be determined by adjusting the estimated total price according to the authorized production capacity, based on a contractually established calculation formula. Green Energy Consultancy & Investments S.R.L. develops the photovoltaic project "Vulturu" with an installed capacity of 12 MWp DC (peak power at the level of the panels) and 9.75 MW AC (power authorized for delivery into the grid), located in the area of Vulturu commune, Vrancea county. The contract

provides for the purchase in the period following the signing of the sale contract by Electrica of the shares of the company and the payment of the related price in two stages, structured according to the stage of development of the project and the fulfillment of suspensive conditions.

- On 7 July 2022, Electrica published the 2021 Sustainability Report. This is available on Electrica's website, at <https://www.electrica.ro/en/investors/results-and-reports/sustainability-reports/>.
- On 15 July 2022 Electrica organized a workshop dedicated exclusively to the proposals for amending the Articles of Association of the company, with the purpose to clarify any questions formulated by the shareholders regarding the proposals for amending the Articles of Association, as well as to increase their commitment to this project.
- On 17 August 2022, the Company published the condensed consolidated interim financial statements as at and for the six-month period ended 30 June 2022 prepared in accordance with the International Accounting Standard 34 – "Interim Financial Reporting", as adopted by the European Union, and the Board of Directors' consolidated report for H1 2022. These are available, in Romanian and English, in electronic format, on Electrica's website, at www.electrica.ro, in the "Investors > Results and Reports > Financial Results" section, <https://www.electrica.ro/en/investors/results-andreports/financial-results/>.
- On 19 August 2022, the Company organized a web conference for analysts and investors for the presentation of Electrica Group H1 2022 Financial Results. The presentation and the recording of the web conference may be accessed below:
<https://www.electrica.ro/en/investors/results-and-reports/analyst-presentations/presentation-of-the-financial-results-forH1-2022/>.
- On 21 September 2022, the Company published the condensed separate financial statements as at and for the six-month period ended 30 June 2022 prepared in accordance with the International Accounting Standard 34 – "Interim Financial Reporting", as adopted by the European Union, the Board of Directors' standalone report for H1 2022 and the auditor report on review of condensed separate interim financial statements. These are available, in Romanian and English, in electronic format, on Electrica's website, at www.electrica.ro, in the "Investors > Results and Reports > Financial Results" section, <https://www.electrica.ro/en/investors/results-andreports/financial-results/>.

All the relevant events presented above have been reported on BSE and LSE and are available on Electrica's website here: <https://www.electrica.ro/en/investors/results-and-reports/current-reports/>.

Treasury relevant aspects

Loans in relation to third parties

- On 25 January 2022, was signed the Credit Agreement no. 2022012502 concluded by DEER and BCR by which the Lender makes available to the Borrower a multi-product credit facility up to the value of RON 180,000 th for a period of 1 year as follows: an Overdraft Facility with the validity 25 January 2023; a Facility for issuing bank guarantees with the validity 25 January 2024 ; and by the additional act no. 1 signed on 7 March 2022 the credit facility increased from RON 180,000 th to RON 220,000 th.
- On 26 January 2022, the additional documents were signed for the group's subsidiaries, including for ELSA in order to extend the contract no. 3189/28.01.2020 for the IDL intraday credit limit concluded with ING Bank within the cash-pooling structure through which the bank makes available to the borrower a credit facility in the total amount of RON 210,000 th until 27 January 2023.
- On 2 February 2022, was signed the Credit Agreement no. 11673879 concluded by EFSA and Transilvania Bank, SE Electrica SA as co-debtor through which the Lender makes available to the Borrower a loan ceiling up to the value of RON 190,000 th until 31.07.2022.

- On 4 February 2022, was signed the Credit Agreement no. 17/8130/2022 concluded by EFSA and BRD Groupe Societe Generale SA, SE Electrica SA as co-debtor by which the Lender makes available to the Borrower a loan in the form of a ceiling up to the value of RON 220,000 th until 03.08.2022.
- On 18 February 2022, was signed the Credit Facility Agreement no. WB/C/14 concluded by EFSA and ING, SE Electrica SA as guarantor by which the Lender makes available to the Borrower a non-committing multi-product credit facility up to a maximum value of RON 170,000 th for issuing bank guarantees valid for 6 months minus 15 days from the date of the contract, respectively 02 August 2022.
- On 25 March 2022, was signed the Credit Facility Agreement no. WB/C/379 concluded by DEER and ING by which the Lender makes available to the Borrower a non-committing credit facility up to a maximum value of RON 220,000 th for the issuance of bank guarantees valid for 12 months from the date of the contract, respectively 25 March 2023.
- On 15 April 2022, was signed the Credit Agreement no. 20220416018 concluded by EFSA and BCR, SE Electrica SA as guarantor by which the Lender makes available to the Borrower a multi-product credit facility up to the value of RON 220,000 th for a period of 12 months for overdraft, respectively 14 April 2023 and a Facility for issuing bank guarantees with the validity 15 April 2024.
- On 13 May 2022 was signed the Additional Act no. 1 to the Credit Facility Agreement no. WB/C/379 concluded by DEER and ING by which the Lender makes available to the Borrower an overdraft sublimit of up to RON 50.000 th from the total facility amount of RON 220.000 th.
- On 19 May 2022, was signed the Credit Agreement no. GRIM/43778-CSG concluded by EFSA and UniCredit Bank SA having ELSA as Guarantor, by which the Lender makes available to the Borrower a multi-product credit facility up to the value of RON 220,000 th. for a period of 12 months for overdraft, respectively 19 May 2023 and for issuing bank guarantees valid for two years from the date of the contract, respectively 19 May 2024 and by the additional act no. 1 to the the Credit Agreement no. GRIM/43778-CSG signed on 15 June 2022 the credit facility increased from RON 220,000 th to RON 300,000 th.
- On 26 May 2022, was signed the Credit Facility Agreement no. 20 concluded by DEER and Raiffeisen Bank by which the Lender makes available to the Borrower a non-committing revolving credit facility up to a maximum value of RON 220,000 th. valid for 12 months from the date of the contract, respectively 26 May 2023.
- On 31 May 2022, was signed the Additional Act no. 4 to the Credit Facility Agreement no. 201910080129 concluded by EFSA and BCR which extends the validity of overdraft limit of RON 165.000 th until 31 May 2023 and for issuing bank guarantees until 7 October 2023.
- On 29 June 2022, was signed FX Hedging Agreement no. WB/C/1840 by and between DEER and ING Bank NV acting through its branch office ING Bank Amsterdam, Bucharest Branch through which parties enter into and become bound by foreign exchange hedging transactions for a secured amount of EUR 39.000 th.
- On 30 June 2022, was signed the Additional Act no. 4 to the Loan Agreement no. 2406PJ/30.06.2020 concluded by DEER and Intesa Sanpaolo Bank, which removes the noncash character, converts the facility from RON to EUR and extends the duration for which the amount of EUR 27.311 th. which can be borrowed by EFSA under the Contract for 12 months months, respectively 28 June 2023.
- On 01 August 2022, was signed the Additional Act no. 1/11673879 to the Loan Agreement no. 11673879/02.02.2022 concluded by EFSA and Banca Transilvania, SE Electrica SA as co-debtor, which extends the validity of the ceiling of RON 190.000 th until 31 August 2022.

- On 03 August 2022, was signed the Additional Act no. 1/03.08.2022 to the Loan Agreement no. 17/8130/2022 dated 04.02.2022 concluded by EFSA and BRD GROUPE SOCIETE GENERALE SA, SE Electrica SA as co-debtor, which extends the validity of the ceiling of RON 220.000 th until 03 February 2023.
- On 03 August 2022, was signed the Additional Act no. 1 to Credit Facility Agreement no. WB/C/14 dated 18.02.2022 concluded by EFSA and ING Bank NV, SE Electrica SA, SE Electrica SA as guarantor, which removes the noncash character and the date of final repayment, respectively the withdrawal period will not be later than 16 September 2022.
- On 29 August 2022, EFSA concluded with Banca Transilvania, SE Electrica SA as co-debtor, the additional no. 2 to the Loan Agreement no.11673879/02.02.2022, extending the validity of the RON 190,000 thousand ceiling until 30 January 2023 and waives the limit of bank guarantees.
- On 6 September 2022, EFSA concluded with ALPHA BANK ROMANIA SA, SE Electrica SA as guarantor, Loan Agreement no. 350, in the amount of EUR 60,000 thousand, through which the Creditor provides the Borrower with a revocable, revolving credit line facility, valid until 6 September 2023.
- On 15 September 2022, EFSA concluded with ING Bank NV, SE Electrica SA as guarantor, the additional no. 2 to the Loan Agreement no. WB/C/14 dated 18 February 2022, through which the date of final repayment, respectively the drawing period will not be later than 17 October 2022.

Intragroup loans

- On 21 January 2022, the Additional Act no. 1 to the Intragroup Loan Agreement no. 87/23 December 2021 concluded by ELSA with EFSA, which extends the validity of the loan in the amount of RON 130,000 th. which can be borrowed by EFSA under the Contract until 23 April 2022.
- On 18 April 2022, Electrica concluded with EFSA a Framework Contract for issuing corporate guarantees in the form of parental guarantee type (PCG), valid until 31 December 2026, through which ELSA will issue corporate guarantees in the form of Parental Guarantee (PCG) in favour of EFSA, within the limits of the corporate approvals granted by the competent bodies within ELSA.
- On 21 April 2022, was signed the Additional Act no. 2 to the Intragroup Loan Agreement no. 87/23 December 2021 concluded by ELSA with EFSA, which extends the duration for which the amount of RON 130,000 th. which can be borrowed by EFSA to 23 May 2022.
- On 23 May 2022, was signed the Additional Act no. 3 to the Intragroup Loan Agreement no. 87/23 December 2021 concluded by ELSA with EFSA, which changes the amount of the loan to RON 60,000 th. and extends its validity until 07 June 2022.
- On 14 June 2022, was signed a short term Loan Agreement no. 40 concluded by Electrica and New Trend Energy SRL up to the value of RON 2,050 th. until 13 June 2023.
- On 15 July 2022, SE Electrica SA concluded with Societatea Electrica Productie Energie SA, the Loan Agreement no. 46, on a short-term basis, in amount of EUR 9,541 th., valid until 14 July 2023, to acquire the shares of EEV1.
- On 27 September 2022, SE Electrica SA concluded with Societatea Sunwind Energy SRL, the Loan Agreement no. 63, on a short-term basis, in amount of RON 1,200 th., valid until 25 September 2023, in order to finance the costs that are the responsibility of ELSA.

Relevant litigations

- *Case no. 887/90/2013*

On 6 April 2022, the final updated consolidated table of the debts owed by Oltchim S.A. was published in IPB

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

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

The decision is final.

- *File ARB-5670 - Borislavchi (RO) vs Energetica Electrica (RO)*

On 7 February 2022, the dispute that makes the object of file no. ARB-5670 - Borislavchi (RO) vs Electrica (RO), pending before the International Court of Arbitration in Vienna, was settled amicably by concluding a transaction.

- *File no 371/33/2017*

On 28 March 2022, the dispute between DEER and D.G.R.F.P. Cluj Napoca - A.J.F.P. Maramures and ANAF which is the subject of file no. 371/33/2017, was definitively resolved by the High Court of Cassation and Justice, by admitting the appeal declared by DEER against the civil sentence no. 163 of 8 July 2019, pronounced by the Cluj Court of Appeal, the partial annulment of the appealed sentence and the annulment of Decision no. 275 of 31 October 2016 regarding the settlement of the DEER appeal, of the Taxation Decision no. F-MM 180 of 30 March 2016 (total amount 32,295,033 RON) and of the Fiscal Inspection Report no. F-MM 160 of 30 March 2016 and for the additional profit tax for 2009 and related accessories, maintaining the other provisions of the appealed sentence and rejecting the appeals declared by the defendants D.G.R.F.P. Cluj-Napoca - Maramures County Administration of Public Finance and the National Agency for Fiscal Administration (ANAF) against the same sentence, as unfounded. We mention the fact that, by the decision of 8 July 2019, the court admitted in part the action filed by the plaintiff Societatea de Distributie a Energiei Electrice Transilvania Nord SA (currently DEER), in contradiction with the defendants D.G.R.F.P. Cluj Napoca and ANAF, partially annulled Decision no. 275/31.10.2016 regarding the settlement of the appeal, with the consequence of partially admitting the appeal, partially annulled the Tax Decision no. F-MM 180 of 30 March 2016 and the Fiscal Inspection Report no. F-MM 160 of 30 March 2016, respectively regarding the additional payment obligations established in charge of the plaintiff, consisting of VAT for the period 01 December 2009 – 31 August 2015 and their ancillary obligations, respectively interest / increase of delay and penalties related to VAT, maintaining, for the rest, the contested acts, including regarding the additional payment obligations consisting in profit tax for the period 01 January 2009 – 31 December 2014 and its ancillary obligations, respectively interest / increase of delay and penalties related to the profit tax.

- *File no 192/2/2015*

On 31 March 2022, the High Court of Cassation and Justice definitively resolved case no. 192/2/2015 and dismissed the claim. The object of case no. 192/2/2015 is: - annulment of the Order of the President of ANRE no. 146/2014 on establishing the regulated rate of return applied to the approval of tariffs for the electricity distribution service provided by concessionaire distribution operators starting with 1 January 2015 and the repeal of art. 122 of the Methodology for establishing the tariffs for the electricity distribution service, approved by the Order of the President of ANRE no. 72/2013; - as a direct consequence of the total annulment of the Order of the President of ANRE no. 146/2014, the total annulment of (i) the Order of the President of ANRE

no. 156/2014 on the approval of specific tariffs for the electricity distribution service and the price for reactive electricity, for Societatea Comerciala "Filiala de Distributie a Energiei Electrice Electrica Distributie Transilvania Sud" - S.A., (ii) ANRE Order no. 155/2014 on the approval of specific tariffs for the electricity distribution service and the price for reactive electricity, for Societatea Comerciala "Filiala de Distributie a Energiei Electrice Electrica Distributie Transilvania Nord" - S.A, (iii) Order of the President of ANRE no. Order no. 154/2014 regarding the approval of the specific tariffs for the electricity distribution service and of the price for reactive electricity, for Societatea Comerciala "Filiala de Distributie a Energiei Electrice Electrica Distributie Muntenia Nord" - S.A. The case ELSA-ANRE no. 317/2/2015 regarding the annulment of the Order of the President of ANRE no. 154/2014 has been attached to case no. 192/2/2015.

Transactions with related parties in Q3 2022 and to date

During the reporting period and until the date of this report, ELSA published 28 announcements, according to art. 108 of Law no. 24/2017, reporting transactions concluded between OPCOM - DEER, OPCOM - EFSA, DEER - EFSA, EFSA - Transelectrica, EFSA - CEO, EFSA – Nuclearelectrica in this period, whose cumulated value in the case of each announcement case exceeds the threshold of 5% of ELSA's net assets, calculated until 21 September 2022 on the basis of Electrica's individual financial statements for 2021, respectively the value of RON 206,175,420 as well as after 21 September 2022 on the basis of Electrica's individual financial statements for H1 2022, respectively the value of RON 199,059,726.

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

All these announcements and the 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 events

The following are presented the relevant events that took place at the Group level during the period between the closure of Q3 2022 and the date of this report.

Other relevant events

- On 12 October 2022, the Extraordinary General Meeting of Shareholders decided to update the Articles of Association of the Company. The EGMS resolution is available on Electrica's website here: <https://www.electrica.ro/en/investors/general-meetings-of-shareholders/2022-gms/general-meeting-of-shareholders-as-of-12-october-2022/>, and the updated Articles of Association are available here: <https://www.electrica.ro/en/the-group/about/constitutive-act/>. During the EGMS the shareholders had the possibility of voting online both remotely, as well as while present in the meeting room, through the platform electrica.voting.ro.
- On 31 October 2022 Electrica announced the results of a financial and operational impact analysis following the publication in the Official Gazette (OG) of ANRE Order no. 129/2022 and of the OMFP no. 3900/2022, which represent the methodological norms of implementing GEO no. 119/2022, as well as the fact that, simultaneously with the publication of the Q3 2022 interim consolidated simplified financial statements on 15 November 2022, it will publish an estimate of the impact on the 2022 consolidated income and expenses budget (more details below): https://www.electrica.ro/wp-content/uploads/2022/10/ELSA_EN_Current-Report_Impact-of-GEO-119_31Oct2022_LSE.pdf.

Subsequent events related to the Treasury

Loans in relation to third parties

- On 17 October 2022, EFSA concluded with ING Bank NV, SE Electrica SA as guarantor, the additional no. 3 to the Loan Agreement no. WB/C/14 dated 18 February 2022, through which the Facility is denominated in EUR, the possibility of using the facility in RON is eliminated, and the date of final repayment will not be later than 17 February 2023.
- On 26 October 2022, EFSA concluded with Raiffeisen Bank SA, SE Electrica SA as guarantor, the additional no. 1 to the Loan Agreement no. 56 dated 26 October 2021, extending the validity of Overdraft limit until 29 January 2023, and the validity of the Facility for issuing letters of guarantee until 31 December 2024.

Intragroup loans

- On 11 October 2022, SE Electrica SA concluded with Societatea NEW TREND ENERGY SRL the additional no. 1 to the Loan Agreement no. 40 dated 14 June 2022, for a new loan in amount of RON 350 thousand, valid until 13 June 2023.
- On 27 October 2022, SE Electrica SA concluded with Green Energy Consultancy & Investments SRL, the Loan Agreement no. 68, on a short-term basis, in amount of RON 66.550 thousand, valid until 26 October 2023, in order to finance the costs that are the responsibility of SE Electrica SA.
- On 09 November 2022, SE Electrica SA concluded with Sunwind Energy SRL, the Loan Agreement no. 73, on a short-term basis, in amount of RON 147.300 thousand, valid until 27 October 2023, in order to finance the investments for the completion and operation of the photovoltaic plant "Satu Mare 2" (Botiz).

Subsequent events related to Litigations

- *Case no. 342/2/2016*

On 20 October 2022, the High Court of Cassation and Justice definitively settled the case no. 342/2/2016, against ANRE, rejecting Electrica's recourse as unfounded. The object of the file is Electrica's request for partial annulment (regarding the specific tariffs) of ANRE Order no. 172/2015 regarding the approval of specific tariffs for the electricity distribution service and the price for reactive electricity for Societatea Filiala de Distributie a Energiei Electrice Muntenia Nord S.A. The information regarding the suspension of the case was communicated to the shareholders through the current report dated 30 Jan 2017, published on the Bucharest Stock Exchange and London Stock Exchange and the details regarding the object of the case, through the current report dated 19 Jan 2016, published on the Bucharest Stock Exchange and London Stock Exchange.

- *Case no. 35647/3/2019*

High Court of Cassation and Justice canceled the appeal declared by EFSA against civil the decision no. 2030A of 13 December 2021, pronounced by the Bucharest Court of Appeal in file no. 35647/3/2019, obliging EFSA to the payment to Nijloveanu Silvia of the sum of RON 2,920.85, to Folescu Ioan of the sum of RON 2,920.85, to Rosca Ioan of the sum of RON 2,920.85, to Oana Valentin Truta of the sum of RON 8,832.18 and to Ionescu Marcel Valentin of the sum of RON 8,832.18, as legal expenses. The pronounced ruling is final. In this file Electrica has the legal quality of being called in warranty. The warranty claims were initially announced through the Current Reports published on BSE and LSE on 6 February 2020 (for Mr. Mircea Patrascoiu and Ms. Anca Dobrica) and respectively 25 February 2020 (for Ms. Victoria Lupu) and the sentence passed by the Bucharest Tribunal was announced through the Current report published on BVB and LSE on 2 October 2020, and the decision of the Bucharest Court of Appeal was announced through the Current Report published on BVB and LSE on 14 December 2021.

Distribution segment

At the end of 2020, Electrica has successfully completed the merger of the three electricity distribution companies within the Group. Starting with 1 January 2021, the new company Distributie Energie Electrica Romania S.A. (DEER) becomes the most important electricity distribution operator at national level, with a coverage of 40.7% of the Romanian territory, which serves over 3.8 mn. network users.

By implementing the merger, medium and long-term benefits could be obtained for all stakeholders. The current priorities for the distribution segment are:

- cost efficiency;
- accelerating the main business processes digitization;
- orientation towards the smart grid concept by promoting on a large scale the smart metering;
- operational performance improving;
- distribution service quality increasing;
- distribution network losses reduction.

During 2021, the new company Distributie Energie Electrica Romania S.A. (DEER), created by the merger of the three electricity distribution companies within the Group, started the implementation of a multi-annual legal post-merger integration program, having as objectives the continuous improvement in the operational area and building a performance based culture within the Electrica Group, in a customer-centric paradigm, keeping costs under control. The long-term goal of the management team is a corporate cultural transformation of the organization, focused on efficiency and performance, so as to ensure the sustainability of the business.

In this approach, efforts to maximize efficiency potential focus on three relevant areas:

1. a unified organizational structure and efficiency of support activities;
2. the optimization of imbalances and the cost of purchasing electricity to cover losses in distribution networks;
3. the optimization of the function of Information and Communication Technology and related components.

Distribution activity

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

a) Regulations regarding tariffs:

- **The distribution tariffs approved for 2022** were approved by **ANRE Order no. 119/24 November 2021**, the regional average tariffs for DEER having the following increase compared to the 2021 tariffs: MN +8.1%; TN +10.4%; TS +7.4% in force starting with 1 January 2021
- As a result of GEO 27/2022, **the distribution tariffs for 2022 were modified starting with 1 April 2022 to cover the additional costs related to Network Losses for 2021**. By **ANRE Order no. 28/23 March 2022**, the regional average tariffs for DEER were approved, having the following increases compared to the 2021 tariffs: MN +24%; TN +17%; TS +20%. This tariff increase will allow the recovery of the amount of RON 363 mn. (RON 353 mn. recognized NL 2021 loss to which inflation was applied) representing the difference between the average effective cost of energy acquisition for own technological consumption (NL) and the ex-ante price established by ANRE for the year 2021 between 1 April 2022 and 31 December 2022, which will favorably impact the net result for the distribution segment in the remaining period of 2022.
- **ANRE Decision no. 610/2022 on the approval of the model for the publication of the costs regarding the operation, maintenance and development of the electric transmission and distribution networks - in force starting with 1 May 2022**
 - The DSOs will publish quarterly on their own web pages, both the realized and the budgeted costs.

- ANRE order no. 129/2022 for the approval of the **Methodological Norms for the recognition in tariffs of the additional costs of the purchase of electricity to cover the own technological consumption compared to the costs included in the regulated tariffs - in force starting with 19 October 2022**
 - quarterly capitalization of additional costs with NL compared to the costs included in the regulated tariffs;
 - the capital costs related to the year 2022 are recognized in a distinct component related to the additional cost with NL applicable starting from 1 April 2023, outside the 7% limitations imposed for tariff increases;
 - the recognized NL price for 2022 will be equal to the reference price calculated as an average among network operators, increased by 5%;
 - the additional cost with NL for the year 2023 will be included in the distinct NL component applicable in the year 2024.
- Order issued by The Ministry of Finance no. 3900/2022 on the approval of **Accounting Specifications in application of the provisions of art. III of the Government Emergency Ordinance no. 119/2022 - in force starting with 20 October 2022**
 - The capitalized amounts are recorded in accounting through accounting article 208 "*Other intangible assets*"/separate analytical = 721 "*Income from the production of intangible assets*", as follows:
 - on 30 September 2022, for the amounts corresponding to the period 1 January 2022 – 30 September 2022;
 - on 31 December 2022, for the amounts corresponding to the period 1 October 2022 - 31 December 2022;
 - on 31 March 2023, for the amounts corresponding to the period 1 January 2023 - 31 March 2023;
 - on 30 June 2023, for the amounts corresponding to the period 1 April 2023 - 30 June 2023;
 - on 31 August 2023, for the amounts corresponding to the period 1 July 2023 - 31 August 2023;
 - Depreciation of the amounts corresponding to the recognized assets is recorded in the accounting starting from the 1st of the month following each of the periods.
- Draft Decision on the approval of the **principles for setting binomial tariffs for the distribution service provided by the concessionary electricity distribution operators:**
 - DSO have the obligation:
 - to simulate the application of binomial tariffs for the period 1 January 2022 – 31 December 2022;
 - to publish on their own sites, within 60 days, information on the project for the implementation of binomial tariffs from 1 January 2024;
 - to notify consumers in order to declare/update the contracted power and to inform them on the maintenance by the operator of the power at the approved level for a limited period of three years, if it is not used;
 - to make available to network users and their suppliers, upon request, the data necessary for the calculation of the invoice based on the binomial type tariff, for the entire simulation period.
 - to ensure the adaptation of ITC systems to the new charging system until 31 December 2023;
 - the monitoring data of the simulation of the application of the binomial type tariff for the electricity distribution service are transmitted to ANRE by DSO until 15 February 2023.
- **ANRE Order no. 98/2022 - for the approval of the Procedure regarding the substantiation and approval of the development and investment plans of the transmission system operator and of the electricity distribution operators - in force starting with 12 July 2022**
 - The **elaboration of the 10-year development plans** of the investment plans for the period or annually is made on the basis of an internal procedure DSO/TSO. The 2023-2033 plan is sent to ANRE until 1 July 2023. The 10-year development plan envisages:
 - analyzes regarding the **evolution of production and consumption**, evaluation of the need for vehicle recharging points, of the dispatchable consumption potential in the area;

- studies on the **digitization and integration of the necessary flexibility services in electrical distribution network in the medium and long term**;
- analysis on measures and programs designed to ensure **cyber security of information systems**;

and includes:

- value estimates of the impact of delays or non-realization of investments included in the previous edition of the development plan;
- the stage of implementation of the new obligations regarding the digitalization of the network, the flexibility services, the integration of the dispatchable consumption and of the production distributed from renewable sources;
- presentation and argumentation of the way of correlation and compliance of the Plan with the Energy Strategy of Romania in the medium and long term and with the National Plan on Energy and Climate Regulation (EU) 2018/1999.

- The benefits pursued, in total and on voltage levels, will reduce the costs approved for each year of the regulatory period and of the entire period, according to the Tariff Methodology.
- In the situation where the DSO/TSO does not own or partially owns motor vehicles, the DSO has the right to request the agreement of ANRE for the establishment in the reference year of a regulatory period.
- The value of the investment plan from own sources must be equal to the minimum forecasted amortization related to the period, and not annually.

▪ **Draft Order for completing the Procedure regarding the substantiation and approval of TSO and DSO investment plans, approved by ANRE Order no. 98/2022 - public debate**

- The amendment proposals consider the recognition of DO investments in energy storage and production for internal consumption from stations and NL:
 - the inclusion in the category of justifiable investments of energy production facilities from renewable sources for NL supply and internal consumption from the stations;
 - the inclusion of electricity storage facilities in the category of necessary investments;
 - the possibility for DO to own storage facilities, by way of exception from the provisions of the Energy Law (art. 46¹ par. (1)), only with prior approval by ANRE;
- establishing the method of calculating the economic efficiency of investments in production/storage, with a view to recognition by ANRE (Annex no. 8).

b) Licenses

▪ **ANRE Order no. 24/2022 on amending the Regulation for granting licenses and authorizations in the electricity sector, approved by ANRE Order no. 12/2015 - in force starting with 25 March 2022**

- elimination of the legal ban on issuing a single license to the electricity market operator on the Romanian electricity market.

▪ It was published **ANRE Decision no. 491/30.03.2022** regarding the granting of the license of the market operator of the Romanian Commodity Exchange

▪ **Draft order on the approval of the Regulation for granting licenses and authorizations in the electricity sector - public debate – phase II**

- renaming the types of licenses granted by ANRE, in accordance with the provisions of art. 10 para. (2) of the Energy Law.
- taking over in the regulation of all the exceptional situations provided by law in which the provision of services and activities in the field of electricity is allowed without a license issued by ANRE, in accordance with the provisions of art. 10 para. (4²), para. (5), para. (6) and para. (6²) of the Energy Law.
- the explicit specification of the situation of modification of the license for the commercial exploitation of energy capacities by including in its content some energetic capacities on which the applicant may have a

provisional exploitation right, until the date when the license holder obtains the definitive exploitation right, in the case of the transfer of ownership/use over the respective energy capacities.

c) Smart metering regulations (SM):

- **ANRE decision no. 1315/2022 amending the Calendar for the implementation of smart electricity metering systems at the national level for the period 2019 – 2028 approved by ANRE Decision no. 778/2019 - in force starting with 3 August 2022**

DSOs have the obligation that within a maximum of 18 months from the approval of this decision:

- to update the cost-benefit analyzes for the implementation of intelligent electricity metering systems, taking into account the changes from the new European legislative package transposed into national legislation with an impact on the structure and level of costs and benefits involved in the process;
- to re-evaluate the degree of implementation of the smart electricity metering systems in the concession areas and to send to ANRE, if necessary, proposals to change the implementation calendar of the smart electricity metering systems for the concession area, correlated with the results of cost-benefit analyses.

d) Technical regulations

Network connection

- **ANRE issued orders for connection in order to harmonize with the provisions of GEO no. 143/2021:**

- i. **household connection** - In the case of household customers, upon commissioning of the connection works performed, DSO will reimburse the applicant the effective value of the design and execution of the connection, up to an average value of a connection, established according to a methodology approved by ANRE. The assets resulting from the connection works become the property of the distribution operator from the moment of commissioning, at the value reimbursed to the household customer, being recognized by ANRE as part of the regulated assets base.
- ii. **non-household connections** - In the case of non-household customers, the equivalent value of the connection works, including those of the connection / connection design performed, is fully paid by the customers. The assets resulting from the connection works enter the patrimony of the DSO from the moment of commissioning, without being recognized by ANRE as part of the base of the regulated assets.

iii. Order issued:

- ANRE Order no. 17/02.03.2022 Order amending and supplementing the Regulation on the connection of users to electricity networks of public interest, approved by ANRE Order no. 59/2013 in force starting with 4 March 2022.
- ANRE Order no. 18/02.03.2022 Order approving the Procedure regarding the connection to the low voltage electrical networks of public interest of the consumption places belonging to the users of household customers - in force starting with 7 March 2022 - abrogate the ANRE Order no. 17/2021.
- ANRE Order no. 21/09.03.2022 Order for the modification and completion of the Methodology for establishing the tariffs for connecting users to the electricity networks of public interest, approved by ANRE Order no. 11/2014 - in force starting with 11 March 2022.
- ANRE Order no. 22/09.03.2022 Order for the modification and completion of the ANRE Order no. 141/2014 for the approval of the specific tariffs and specific indices used to establish the tariffs for connecting users to the electricity networks of public interest - in force starting with 11 March 2022.
- ANRE Order no. 23/09.03.2022 Order regarding the approval of the average values used by the distribution operator for the reimbursement to the requesting household customers, of the equivalent value of the design and execution works of a connection - in force starting with 11 March 2022.

- **ANRE Order no. 63/2022 for the amendment of ANRE Order no. 95/2018 on the approval of the mandatory clauses in the contracts for the provision of services in order to carry out the connection works to the electricity networks of public interest - in force starting with 31 March**

2022

- clarification of the applicability situations of the obligatory Clauses correlated with the modification of art. 44, para. (4) of the Connection Regulation, introduced by ANRE Order no 160/2020. And it introduces the possibility for the certified economic operator to be able to constitute the guarantee of good execution of the contract in support of the network operator, through a guaranteed instrument issued by non-banking financial institutions.
- the contracts for the provision of services to carry out the connection works to the electricity networks of public interest concluded before the date of entry into force of this order shall be updated, by the conclusion by the parties of an additional act within 30 days from the date of entry into force of the order.
- **ANRE Order no. 137/2021 Order for the approval of the Procedure regarding the determination of the available capacity in the electrical networks for the connection of new installations of electricity production - in force starting with 1 March 2022:**
 - rules for determining the capacity available in the electrical transmission network/electrical distribution network at the 110 KV voltage level;
 - rules for the data publication regarding available capacities;
 - deadlines and frequency of data publication regarding available capacities by network operators: monthly starting with 1 April 2022; twice a month starting with 1 July 2022.
- **Draft order and Order ANRE Connection in order to harmonize with the provisions of the ANRE regulatory framework in which the legislative amendments of GEO no. 143/2021, namely with the provisions of ANRE Orders no. 17/2022, no. 18/2022 and no. 19/2022**
 - ANRE Order no. 82/2022 - modification and completion of ANRE Order no. 74/2014 for the approval of the Framework Content of the technical connection approvals;
 - ANRE Order no. 83/2022 - modification and completion of ANRE Order no. 5/2014 for the approval of the Framework Content of the connection certificates;
 - ANRE Order no. 105/2022 approval of framework contracts for connection to electricity networks of public interest - will abrogate ANRE Order no. 164/2020.
- **ANRE Order no. 81/2022 - order for amending and supplementing the Regulation on the connection of users to electricity networks of public interest, approved by ANRE Order no. 59/2013 - in force since 17 June 2022**
 - it is provided that the DSO/TSO completes the value of the costs of carrying out the general reinforcement works and the way of their payment to the first user, respectively to the other users, in the connection contract that it concludes with the new user;
 - introduction of the possibility of concluding the contract for the design and/or execution of reinforcement works for the creation of the technical conditions necessary for the connection of several places of consumption and/or production, by DSO/TSO and with a certain certified designer and/or constructor, chosen by user;
 - the responsibility of the DSO/TSO/economic operator to obtain the agreement/authorization for the execution of the connection installation, in case of direct conclusion between the user and the certified economic operator designated by the user of the contract for the design and/or execution of the connection installation as follows:
 - for the connection installation that will be owned by the user, the document is obtained by the user or, as the case may be, by the designated certified economic operator;
 - for the connection installation that will enter the patrimony of the RO, the document is obtained by the DSO/TSO.
- **Order ANRE no. 103/2022 for the approval of the Procedure regarding the connection to the electric networks of public interest of the recharging points for electric vehicles - in force starting**

with 4 August 2022

- connection of a new place of consumption, consisting of one or more recharging points for electric vehicles;
 - connection of a place of consumption/place of consumption and production, with recharging points for electric vehicles, with/without storage facilities, new;
 - installation at a place of consumption/place of consumption and production with/without existing storage installation of one or more recharging points for electric vehicles.
- it is applied in conjunction with the provisions of the Connection Regulation, of the Household Connection Procedure and of the Prosumers Connection Procedure, in force.
- establishes, for certain stages or actions within the connection process, shorter deadlines, similar to those provided for the connection of prosumers.
- when installing at an existing place of consumption one or more recharging points for electric vehicles, without exceeding the approved power, the existing ATR/CfR is not updated, and in the existing electrical installations upstream of the delimitation point no works are performed additional.
- the obligation of OD to draw up its own procedures, within 30 days of publication in the Official Gazette, for the organization of the connection activity of the categories of users to whom the document is addressed and to make available to interested parties all relevant information regarding the connection process.
- **ANRE Order no. 133/2022 for the modification and completion of ANRE orders in the field of connection to the public interest electric network of users**
 - **Connection regulation:** (i) elimination of the provision according to which the connection installations financed by non-domestic final customers enter the DO's patrimony at the time of commissioning; (ii) completion of the prosumer definition;
 - **Technical Connection Approval framework content:** (i) elimination of the provision according to which the connection facilities financed by non-household customers enter the DO's patrimony at the time of commissioning; (ii) completing the categories of users connected to the LV to whom the DO returns the equivalent of the expenses for the design and execution of the connection up to an average value;
 - **Household connection procedure:** (i) completion of the categories of users connected to LV to whom the procedure applies and their inclusion in the contracting parties stipulated in the framework contracts; (ii) the inclusion among the documents necessary for the conclusion of the connection contract of the ascertaining certificate issued for the user by the trade register no later than 30 days before the date of its submission, for the case of the user other than the household customer; (iii) the provision in the connection contract of the average value without VAT of the connection; (iv) the inclusion of the obligation of the user or the certified economic operator designated to design and execute the connection to obtain the agreement/authorization for the realization of the connection, in case the contract for the design and execution of the connection is concluded directly by the user with the designated certified economic operator; (v) the introduction of a maximum limit of 5 years from the commissioning of the connection for the duration of the connection contract, correlated with the legal provision regarding the reimbursement of the actual consideration of the design and execution of the connection, up to the average value of a connection;
 - **Prosumer connection procedure:** (i) including the possibility of programming the existing meter at the delimitation point related to a place of consumption for the measurement of electricity in both directions, at the location of production facilities from renewable sources in the user's facilities; (ii) the inclusion of a derogation from the application of the provisions of the procedure, regarding the electricity measurement groups required in the prosumers' installations, in the sense of not conditioning the energization of the installation for use by the installation of these equipments, given the difficulties of the DO to acquire the respective measurement groups;
 - **Connection framework contracts** additions to network operator obligations in the sense of corroboration with the derogatory provisions of the Prosumer Connection Procedure.
- **BRML Order no. 77/2022 for the approval of the Official List of fixed measuring instruments subject to legal metrological control - published in the Official Gazette no. 332/5 April 2022 -**

enters into force within 90 days from the date of publication in the Official Gazette (4 July 2022)

- For active and reactive electricity meters, the metrological verification will be done at 15 years.
- **ANRE Order no. 124/2022 for the approval of the Rules for the management of congestion through the market-based use by network operators of the flexibility of resources in the distribution networks and those in the transport network, of the Rules applicable to the purchase of reactive electricity for voltage regulation in stationary mode by the transmission and system operator and of the Rules applicable to the purchase of reactive electricity for voltage regulation in stationary mode by concessionaire distribution operators and for the amendment and completion of ANRE Order no. 127/2021 for the approval of the Regulation on the clauses and conditions for balancing service providers and for frequency stabilization backup providers and the Regulation on the clauses and conditions for the parties responsible for balancing** - in force starting from 19 October 2022, and art. 1, 3 and 4 apply from 1 May 2024
 - Within 12 months, TSO and DSO prepares and submits to ANRE a proposal regarding:
 - a technical qualification procedure related to participation in congestion management in own networks;
 - the specifications of the products introduced in short-term energy auctions for congestion management;
 - the specifications of the products introduced in the long-term capacity auctions for congestion management;
 - a minimum of information to be part of the register for flexibility resources, as well as optional ones, as well as the access rules of neighboring of TSO and DSO to them;
 - a reasoned option against organizing a common platform for all of TSO and DO for the purchase of electricity to manage congestion or a distinct platform for each of TSO and DSO;
 - an option on whether or not to combine the possible common platform with the Registry for flexibility resources.
 - Within 12 months, the TSO and DSO jointly develops a methodology by which they establish the mode of operation, collaboration, information sharing, as well as the rights and responsibilities of each during the period in which the TSO continues to identify and manage the network congestions occurring in the networks of 110 kV concessionated by DSO and under their responsibility.
 - Within 16 months from the date of entry into force of this order, DSO and TSO develop their own operational procedures for the implementation of the provisions of annex no. 1 to order.
- **Draft Order regarding the modification and completion of the Methodology for data exchange between the transport operator and the system, distribution operators and significant network users approved by ANRE Order no. 233/2019 – public debate**
 - 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.
- **Draft order 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" - public debate**

The norm was developed by the TSO, it establishes technical requirements for connected storage facilities:

 - individually to the public electricity network, classified in categories A, B, C and D similarly to electricity production facilities;
 - within the electricity production sites;
 - within the places of electricity consumption.

Prosumers

- **ANRE Order no. 15/23.02.2022 - Methodology for establishing the rules for the sale of electricity produced in power plants from renewable sources with installed power of up to 400 kW per place of consumption belonging to prosumers - in force since 1 May 2022**
 - The distribution operators ensure the acquisition, installation, sealing, verification, reading and, if necessary, the replacement of the electricity metering groups produced, located in the users' installations, according to the ANRE regulations.
 - Consumers who own electricity generation units in RES with an installed capacity of up to 400 kW per place of consumption may sell the electricity produced and delivered in the electricity network to the electricity suppliers with whom they have concluded electricity supply contracts, according to ANRE regulations.
 - At the request of prosumers who produce electricity in power generation units with a power installed at the place of consumption:
 - up to 200 kW - the electricity suppliers with whom they have concluded electricity supply contracts are obliged to make a quantitative compensation in the bill of the prosumers between the electricity produced and delivered in the network and the consumed one and to report in the bills of the prosumers the difference of between the amount delivered and the amount consumed, if the amount of energy produced and delivered to the network is greater than the amount of electricity consumed, prosumers may use the amount of electricity carried over for a maximum period of 24 months from the date billing.
 - between 200 kW and 400 kW - the electricity suppliers are obliged to purchase the electricity produced and delivered at a price equal to the weighted average price registered in the DAM in the month in which the respective energy was produced and to make the financial regularization between the prosumers. the delivered electricity and the consumed electricity from the network.
 - Quantitative compensation of prosumers with installations with a power of up to 200 kW per place of consumption, will be granted until 31 December 2030, and after this period the respective prosumers can sell the electricity produced under the conditions provided for prosumers with installed capacities between 200 kW and 400 kW, per place of consumption.
- **ANRE Order no. 19/02.03.2022 Order approving the Procedure regarding the connection to the electricity networks of public interest of the places of consumption and production belonging to the prosumers - in force starting with 7 March 2022 - abrogate ANRE Order no. 15/2021**
 - harmonization with the provisions of GEO no. 143/2021.
- **ANRE Order no. 104/2022 for the modification and completion of the Procedure regarding the connection to the electricity networks of public interest of the consumption and production places belonging to the prosumers, approved by ANRE Order no. 19/2022 - public debate** - in force starting with 4 August 2022
 - the introduction of the provision according to which, with the exception of the rules of the Procedure which do not provide for the issuance of technical connection approval or those which do not provide for the issuance of technical connection approval prior to the construction of the electricity generation facility, for prosumers of electricity from renewable sources, the DO issues technical connection approval before the construction of the electricity generation installation, in compliance with the provisions of the normative acts specific to the respective financing programs.
- **ANRE Order no. 95/2022 - order for the modification and completion of ANRE Order no. 15/2022 for the approval of the Methodology for establishing the rules for the sale of electricity produced in power plants from renewable sources with installed electric power of up to 400 kW per place of consumption belonging to prosumers** - in force since 1 July 2022.
 - clarifies the application of quantitative compensation between electricity consumed and electricity produced and delivered in the electricity network by prosumers who have units for electricity production from

renewable energy sources with electricity installed at most 200 kW per place of consumption provided that, following the approval of ANRE Order no. 15/2022, GEO no. 27/2022, which establishes the way of billing the electricity consumed by prosumers between 1 April 2022 – 31 March 2023.

- **Draft Order for the approval of the Methodology for establishing the quantitative compensation rules between the electricity produced from renewable sources in mobile units equipped with electricity production systems during regenerative braking and delivered to the national electricity system and the electricity consumed from the national electricity system by prosumers**

- DO certifies the quality of prosumer, in order to apply the quantitative compensation mechanism according to the legal provisions;
- Additionally, in order to certify the quality of prosumer, DO verifies the fulfillment of the following requirements: (i) the main activity of the prosumer - legal person is not the production of electricity; (ii) the electrical energy produced during regenerative braking must come from renewable energy sources and be delivered to the SEN; (iii) the electricity measurement system at the interface with the SEN is made either with smart meters or with meters that allow at least remote reading, integrable in smart electricity measurement systems, having communication systems compatible with those of the operator distribution concessionaire to whose networks the electrical installations are connected.
- The concessionaire DO carries out monthly readings of electricity meters from renewable sources produced and delivered in the SEN/consumed from the SEN, in the event that the remote reading of the electricity meters is not possible for technical reasons, it is determined based on historical measured data,
- The concessionaire DO has the obligation to store the collected measured/determined data, as the case may be, for a period of at least 36 calendar months

Distribution service performance standard

- **ANRE Order no. 64/2022 for the modification and completion of the Performance Standard for the electricity distribution service, approved by ANRE Order no. 46/2021 - in force starting with 31 March 2022:**

- **household clients**, the index reading period may be longer than one month, but must not exceed 3 months, for non-compliance compensation is granted RON 10
- **non-household clients**, the index reading period may be longer than one month, but must not exceed 6 months, for non-compliance compensation is granted RON 10
- **prosumers**, the periodicity of reading the index of the measuring group is a calendar month - compensation RON 10 regardless of voltage level
- DSO does not grant compensation to users whose metering units are located on their property and who did not allow access to DSO in order to read the index of metering units within the range specified in the invoices issued by electricity suppliers, with prior notification/approval of up to three times the number of users
- DSO has the obligation to ensure access to historical consumption data of users who benefit from intelligent electricity metering systems, in accordance with the provisions of the framework conditions for achieving the timetable for the implementation of intelligent electricity metering systems at national level - if DSO does not meet the deadlines for a period of one month, he is obliged to pay the user compensation in the amount of RON 30 to LV
- modification of the DSO calendar regarding the installation of quality analyzers
 - *by 31 December 2023 will monitor at least 50% of the number of power stations and at least 20% of the number of substations,*
 - *by 31 December 2025 will monitor at least 75% of the number of power stations and at least 60% of the number of substations,*
 - *until 31 December 2026 will fully monitor (100%) the power stations and at least 80% of the number of substations,*
 - *starting with 01 January 2028 will fully monitor (100%) the transformation stations.*
 - *The substations monitored according to each stage also include the substations that fully supply users integrated in intelligent electricity metering systems.*

- DSO have the obligation to submit to ANRE until 30 June 2022, the implementation program for monitoring the continuity and quality of electricity with analyzers mounted in power stations and substations

Commercial Regulations

- **ANRE Order no. 82/2021** for the amendment and completion of the *Regulation for the supply of electricity to final customers*, approved by ANRE Order no. 235/2019 and the abrogate of ANRE Order no. 130/2015 regarding the approval of the *Procedure regarding the electricity supply of the DSO own consumption places* – in force from 1 July 2021 (except for the provisions of art. I points 25-27, 33 and 34 which enter into force on 1 July 2022):
 - in case of the electricity supplier change, the customers can communicate to the new supplier the self-read index at the date of sending the change of supplier notification; the supplier has the obligation to take over and send to the DSO the index self-read by the final customer; the self-read index is taken into account by the DSO when setting the electricity consumption in the process of changing the supplier;
 - if the final customer does not send the self-read index, the DSO has the obligation to read the index of the measuring equipment in the period between the date of sending the supplier change notification and the date of the actual change of the supplier;
 - the DSO has the obligation to create and maintain in the database, for each consumption place, for each month from the period January - December, information on the estimated active electricity consumption, established as appropriate, based on: (i) consumption of electricity recorded at the consumption place in the similar period of the previous year or of the determined electricity consumption taking into account the most recent readings made by the DSO; (ii) the specific consumption profile, determined by the DSO for the respective category of final customer if there is no consumption history for the place of consumption.
 - the DSO has the obligation to allow free access to all electricity suppliers to the data in the database and to inform them on how to access the data;
 - **until 1 November 2021**, the DSOs have the obligation to make available to the electricity suppliers the consumption data provided in the order and to publish on its own web pages information regarding the way of accessing these data;
 - **starting with 1 January 2022**, in the case of consumption places for which consumer agreements are concluded, the distribution service invoicing will be performed by the DSO, based on these agreements, if there is no index for these consumption places read by the DSO or by the end customer.
- **ANRE Order no. 90/2022 - order for the modification and completion of ANRE Order no. 52/2021 for the approval of the Methodology for monitoring the system for promoting the production of electricity from renewable energy sources - in force from 27 June 2022**
 - regulating the aspects related to the reporting of data by the electricity suppliers that have concluded / conclude contracts for the sale-purchase of the electricity produced by the prosumers, with which they have concluded contracts for the supply of electricity as final consumers, regarding the way and reporting format, respectively data reporting frequency.
- **ANRE Order no. 91/2022 - order for the approval of the Regulation on the supply of last resort of electricity - in force from 24 June 2022**
 - Consumption places that are not disconnected for non-payment of electricity consumption/theft and do not have a supply contract in force/are not in the portfolio of an supply of last resort, are taken over by supply of last resort (the supplier with the largest market share in the area of network in which the places of consumption are located);
 - within maximum 3 working days from the date of entry into force of the order, each concessionaire DO communicates to an supply of last resort the list of consumption places in its network area that are in the situations described above;

- market shares are established and published by ANRE based on the quantities of electricity delivered, between 1 September 2021 – 28 February 2022, to customers in each network area, by each of the suppliers who also have the quality of last suppliers instance;
- within maximum 5 working days from the date of communication of the designation decision, supply of last resort and DO concessionaires with which the supplier has not concluded electricity distribution contracts, conclude these contracts.

Annual report and sanctions

- **ANRE Order no. 1/19.01.2022 - Order for the abrogation of ANRE Order no. 32/2016 on the approval of the Methodology for drawing up the Annual Report by licensees in the electricity and heat sector and on the modification of some ANRE orders - in force since 21 January 2022**
 - the obligation of the license holders to draw up the Annual Activity Report is eliminated.
 - the ANRE Order no. 32/2016 is abrogated - the information from the annexes from the Methodology preparation of the Annual Report must be sent to ANRE in accordance with the provisions of other orders.
- **ANRE Order no. 12/23.02.2022 - Order for approving the Procedure regarding the establishment and individualization of the contravention sanctions related to the turnover resulting from the control activity - in force from 1 March 2022**
 - This order scope is to in force the necessary rules for establishing and individualizing the sanctions related to the turnover provided in the Law on electricity and natural gas no. 123/2012, art. 95 para. (2) and (3).
- **ANRE Order no. 13/23.02.2022 - Order approving the Procedure regarding the establishment and individualization of the contravention sanctions related to the turnover, by the ANRE Regulatory Committee, as a result of the investigation actions - in force starting with 28 February 2022.**
 - It aims at establishing and individualizing the sanctions in case of committing the contraventions provided in art. 93 para. (1) and art. 194 of the Law on Electricity and Natural Gas no. 123/2012, with subsequent amendments and completions, hereinafter referred to as the Law, for which sanctions are provided from the turnover of the year prior to the application of the sanction.
- **ANRE Order no. 100/2022 on amending and supplementing the Regulation for the organization and conduct of investigation activity in the field of energy on the functioning of the wholesale energy market, approved by ANRE Order no. 25/2017 - in force starting with 4 August 2022**
 - application of some of the legal provisions in force by the members of the ANRE Regulatory Committee;
 - extension of the object of investigations regarding the violation of the transparency requirements, provided in the ANRE regulations, as well as in the European regulations;
 - introduction of modifications, clarifications and completions regarding the competence regarding the establishment and individualization of sanctions, depending on the nature and moment of their commission; also, in the draft order are included provisions for the situation in which, within the investigation action, no contravention facts are found.
- **ANRE Order no. 101/2022 for the modification and completion of the Procedure regarding the establishment and individualization of the contravention sanctions related to the turnover, by the ANRE Regulatory Committee, as a result of the investigation actions, approved by ANRE Order no. 13/2022 - in force starting with 4 August 2022**
 - completing the Procedure with the situations in which the Regulatory Committee establishes and individualizes the sanctions by reference to the turnover of the investigated legal person, and for the contravention facts, for which the investigation team, as ascertaining agents, applies the provisions of art. 12 para. (2) of GO no. 2/12 July 2001 regarding the legal regime of contraventions, approved with modifications and completions by Law no. 180/2002, with the subsequent amendments and completions, proposing the sanctioning of the investigated market participant with a fine related to its turnover.

- correlation with the provisions of ANRE Order no. 25/2017, with subsequent amendments and completions
- **Draft Order regarding the modification and completion of the Regulation on detection, notification and sanctioning of deviations from the regulations issued in the field of energy applicable to the investigative activity carried out by ANRE, approved by ANRE Order no. 62/2013 – public debate**
- Completion and amendment of the Regulation, in accordance with the legal provisions in force, as a result of the changes made to the Law, respectively through the amendments to ANRE Order 25/2017 and ANRE Order 13/2022.

e) Primary legislation:

- **Energy law no. 123/2012 - amended by Government Emergency Ordinance "GEO" no. 143/2021 - in force starting with 31 December 2021**
 - the possibility of concluding directly negotiated bilateral transactions;
 - the obligation of DSO to ensure the reading of the index of the measuring group for the final household customers at a time interval of maximum 3 months.
 - the role of DSO as a neutral market facilitator in the acquisition of electricity for network losses coverage, according to transparent, non-discriminatory, and market-based procedures, in compliance with ANRE regulations
 - **household connections** - In the case of household customers, upon commissioning of the connection works performed, DSO will reimburse the applicant the effective value of the design and execution of the connection, up to an average value of a connection, established according to a methodology approved by ANRE. The assets resulting from the connection works become the property of the distribution operator from the moment of commissioning, through the effect of this law, to the value reimbursed to the household customer, being recognized by ANRE as part of the regulated assets base.
 - **non-household connections** - In the case of non-household customers, the value of the connection works, including those for the design of the connection / connection made, is fully borne by the customers. The assets resulting from the connection works enter the patrimony of the DSO from the moment of commissioning, through the effect of the present law, without being recognized by ANRE as part of the base of the regulated assets.
 - in case the final customers do not have SM, DSO provides them with individual conventional meters that accurately measure their real consumption. DSO ensures that end customers can easily read their conventional meters, either directly or indirectly, through an online interface or other appropriate interface that does not involve physical connection to the meter.
 - ANRE has the obligation to issue the regulations provided in the Law within the terms expressly provided from the date of entry into force of the Law (60 days or 6 months)
- **Law no. 259/29.10.2021 for the approval of GEO 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 the completion of the GEO no. 27/1996 regarding providing facilities to persons residing or working in some localities in the Apuseni Mountains and in the Biosphere Reserve "Danube Delta"**
 - For the period 1 November 2021 – 31 March 2022, a support scheme was established for the payment of invoices related to the consumption of electricity and gas for several categories of final customers.
 - In order to regularize the amounts related to the support scheme, **the electricity/natural gas distribution operators have the obligation, in April-June 2022, in addition to the readings established according to the regulations in force, to read the meter index to final customers** who have benefited from the support scheme and to communicate to the electricity/natural gas suppliers their measurement data.
 - Exemption of some categories of small consumers (SMEs, PFA) from the payment of distribution tariffs, transport, green certificates, contribution for high efficiency cogeneration and excise.

- **GEO no. 3/2022 for the amendment and completion of the GEO no. 118/2021 for household customers increases the maximum consumption limit from 1500 kWh to 1900 kWh (380kWh/month) – in force starting with 26 January 2022**
 - **for domestic customers** in the period 1 February 2022 – 31 March 2022, the final invoiced price of electricity is capped at 0.8 RON/kWh, VAT included, (compared to 1 RON/kWh), of which the price component of energy is maximum 0.336 RON/kWh (compared to 0.525 RON/kWh);
 - **for non-household customers** in the period 1 February 2022 – 31 March 2022, the final billed price of electricity is capped at the minimum of 1 RON/kWh, VAT included, of which the energy price component is a maximum of 0.525 RON/kWh
 - The DSOs have the obligation in April-June 2022, in addition to the readings established according to the regulations in force, to read the meter index to household customers and to transmit to the electricity/natural gas suppliers their measurement data.
- **GEO no. 27/2022 on the measures applicable to final customers in the electricity and natural gas market during the period 1 April 2022 – 31 March 2023 - in force starting with 22 March 2022, approved by Law no. 206/11 July 2022**
 - in order to cover the additional costs related to network losses for 2021, ANRE modifies the regulated tariffs, with applicability starting with 1 April 2022.
 - the resulting tariffs do not change between 1 April 2022 – 31 March 2023.
 - the additional costs financed from bank loans made during the GEO period to cover the network losses are capitalized, with a duration of 5 years and RRR = 50% x RRR RP4.
 - the electricity costs purchased for network losses after the date of entry into force of the GEO will be recognized in the regulated tariffs, according to ANRE methodologies.
 - the transmission and distribution tariffs will be modified according to the costs registered until 31 March 2023, in a period of up to 5 years, after until 31 March 2023.
 - producers in the portfolio of the Romanian state, have the obligation to respond in 5 working days with partial or total sales offers, energy purchase requests addressed by TSO and DSO, individually or in aggregate, directly or through dedicated platforms in the organized market. Failure to comply with the provision is sanctioned with a fine of RON 100,000 ÷ 400,000
- **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 between 1 April 2022 and 31 March 2023, as well as for the amendment and completion of some normative acts in the field of energy - in force starting with 1 September 2022**
 - additional costs for 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 loans), are capitalized quarterly, RRR = 50% of the applicable RRR each period;
 - electricity producers have the obligation to sell electricity available with delivery until 31 December 2022, through directly negotiated contracts starting on 1 September 2022, only to electricity suppliers that have final customers in their portfolio, intended exclusively for their consumption, DO, TSO and consumers who have benefited from the provisions of GEO no. 81/2019.

f) Alignment with the European legislation - EU Regulation no. 943/2019:

Electricity market functioning

- **ANRE Order no. 128/2021 - Order for the approval of suspension and re-establishment Rules of market activities and for the applicable settlement Rules – in force since 1 October 2022:**
 - determining the situations and conditions in which TSO can suspend market activities with diminishing the impact on the coupling of DAM and IM energy markets;
 - identification of the market activities that can be suspended and of the procedure of their suspension and restoration: stages, role and responsibilities TSO/designated electricity market operator/factors involved;

- the communication procedure detailing the tasks and actions that each party must perform;
- the suspension during the collapse period and the restoration from collapse of SEN of all contracts on the wholesale market (including transactions concluded on DAM and IM), and its sale / acquisition will be made at a single restoration price, respectively the settlement method applicable in these situations and the way of making payments and contesting the settlement.
- the order will be applied starting with 1 October 2022, the date from which the ANRE Order no. 23/2016 repeals.

- **ANRE Order no. 65/2022 for the approval of the Regulation on the organized framework for contracting electricity by large final customers - in force starting with 1 April 2022**
 - the extension of the market share, by accepting the TSO and the DSO their market share being intended exclusively for the acquisition of network losses;
 - application of regulation inclusive by the producers to whom the measures of GEO no. 27/2022 apply
 - use of standard contract or EFET type;
 - reduction of the average power per settlement interval from 10 MW to 5 MW, for a better profiling of the end customers offers;
 - the possibility for the initiator to opt for the variation of the contracted power per settlement interval with a maximum of 0.5 MW per settlement interval;
 - minimum delivery time of one month;
 - the option regarding the full/partial trading of the initial offer.
- **ANRE Order no. 73/2022 regarding the modification of ANRE Order no. 65/2022 for the approval of the Regulation on the organized framework for contracting electricity by large final customers**
 - in force starting with 12 May 2022
 - the possibility of introducing initiating offers by the producers participating in the market;
 - elimination of the specification according to which the large final electricity customer includes the transmission and system operator and the distribution operators who purchase, individually or by aggregation, electricity to cover their own technological consumption from the networks they operate, in order to avoid resale to the operators of the electricity purchased on this market, based on the license held. They can participate in the market from the position of final customer, which, according to the definition in the Energy Law, represents any natural or legal person who buys electricity for their own consumption.
- **ANRE Order no. 3/2022 approving the Regulation on the organization and operation of the online supplier change platform (POSF) and for contracting the supply of electricity and natural gas - in force since 28 August 2022**
 - The online platform (POSF) is unique at national level, end customers and economic operators involved in changing the supplier and contracting the supply have the obligation to use exclusively this platform.
 - Implementation of the platform starting with 28 August 2022.
 - Duration of the supplier change process 24 hours
 - The client is obliged to register the self-read index in POSF
 - The client uploads the self-read index at the beginning of the supplier change process and a second self-read index at the date of the actual change of the supplier. If the end customer does not upload the index on the date of the actual change of the supplier, OD has the obligation to register in POSF, within 5 days from the date of the actual change of the supplier by the end customer, the index read by OD or provided by the intelligent measurement system.
 - The regulation details: how the POSF is organized and operated, the content of the POSF database, the data needed to create the POSF access account, the rights and obligations of POSF users, the rules for concluding the supply contract, the actual supplier change procedure.
 - ANRE is the administrator and operator of the Online Platform intended for the change by the final customer of the electricity and / or natural gas (POSF) supplier
 - In the period between the date of entry into force of the Order and 28 August 2022, all economic operators are obliged to comply with any ANRE requests for the realization and implementation of POSF.

- **ANRE order no. 109/2022 for the amendment and completion of ANRE Order no. 3/2022 for the approval of the Regulation on the organization and operation of the online platform for changing the supplier of electricity and natural gas and for contracting the supply of electricity and natural gas** - in force starting with 24 August 2022
 - changing the deadline for applying the Regulation from 28 August 2022 to 10 October 2022;
 - by way of derogation, the provisions that refer to the registration in the POSF of the information that the network operator and the suppliers are obliged to register in accordance with the provisions of the Regulation apply starting with 28 August 2022;
- **ANRE Order no. 79/2022 on the approval of the Regulation on the organization and functioning of the market for fixed-term contracts organized by the company Bursa Romana de Marfuri S.A.** - in force from 10 June 2022
 - The order envisages the establishment of an organized framework for the trading of electricity on the Market of futures contracts, through electronic trading platforms managed by the company Bursa Romana de Marfuri S.A. (BRM).
- **ANRE Order 177/2022 for the approval of the Regulation on the organization and operation of the electricity future contracts market organized by the company Bursa Romana de Marfuri S.A.** - in force starting with 1 October 2022, except art. 2
 - repeal ANRE Order no. 79/2022, the introduction of new products for trading: (i) multiple of a day, respectively the full period of at least 2 consecutive delivery days starting at the earliest with the second calendar day following the day of the conclusion of a transaction; the product is tradable only with delivery in the lane; (ii) 1 week; the product is tradable only with delivery in the lane; (iii) the balance of the month, respectively the period made up of the rest of the delivery days within a current calendar month, starting with the second calendar day following the day of the conclusion of a transaction; the product is tradable only with delivery in the lane;
 - art. 2 – BRM updates, by 1 October 2022, the operational procedures necessary to implement the regulation.
- **ANRE Order no. 92/2022 - order regarding the modification and completion of the Regulation for calculation and settlement of imbalances of the parties responsible for balancing - single imbalance price, approved by ANRE Order no. 213/2020 and for the modification of some orders of ANRE** - in force from 1 July 2022.
 - new articles on the distribution of additional costs/revenues from balancing the system;
 - it is proposed to reduce from 6 months to 2 months the term in which the participant can reasonably request the correction of the settlement, from the posting on the dedicated computer platform of the information note for settlement;
 - implementation of the 400 kW installed power limit for prosumers, from which the supplier no longer assumes responsibility for balancing;
 - the order is applied starting with 1 July 2022 in which the calculations are performed to settle the BRP imbalances for the delivery month June 2022.
- **ANRE order no. 121/2022 for the modification of ANRE orders regarding the electricity market - in force starting with 1 October 2022**
 - ANRE order no. 127/2021 enters into force on the date of publication and applies from 1st of October 2023, except: (i) for the period 1 May 2023-1 September 2023, the imbalance settlement operator of the parties responsible for balancing does monthly, starting from May 2023, simulations for the settlement calculation of the imbalances of the parties responsible for balancing resulting from the application of the provisions of the Regulation on the clauses and conditions for the parties responsible for balancing (ii) the technical

changes made to the Technical Qualification Procedure for the provision of system services, approved by ANRE Order no. 89/2021, which applies from the date of entry into force

- ANRE order no. 128/2021 applies from 1 October 2023, for alignment with the provisions of ANRE Order no. 127/2021.

- **Draft Order for the approval of the General Regulation on organized electricity markets - public debate**

- simplifying the organized framework for electricity contracting, by drawing up a framework regulation with general provisions, on the basis of which each operator of the electricity market should draw up the specific rules for the organization and administration of their own markets;
- ensuring the creation of a general framework, with requirements applicable to all electricity market operators, to ensure transparency and non-discrimination. Based on these general rules, the operators elaborate their specific conditions of participation.

- **Regulation (EU) 2022/1854 of 6 October 2022, regarding an emergency intervention to address the problem of high energy prices:**

- consumption reduction with a target of 5% during peak hours;
- threshold of 180 Euro/MWh for solar, nuclear, hydro, wind and mainly lignite production; revenues above this threshold will be collected by the state;
- solidarity mechanism -33% of the profit for the fiscal year 2022, if there is an increase of more than 20% compared to the 2018-2021 average;

The funds obtained on the last two points will be redirected to household consumers, companies in difficulty, reduced tariffs or social aid.

Investments

At the end of the third quarter of 2022, the operator Distributie Energie Electrica Romania (DEER) made and put into operation investments amounting to RON 195,1 mn, representing 33% of the value of the commissioning program planned for 2022 (RON 587.1 mn, of which RON 558.5 mn plan for 2022, and RON 28.6 mn values related to 2021 plan); RON 155.4 mn from the 2022 plan, RON 14 mn recoveries related to 2021 and RON 25.7 mn additional works compared to the 2022 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, expenses of RON 46.6 mn were estimated in CAPEX, considering the legal requirements introduced by the Emergency Ordinance no. 143/28.12.2021 for the amendment and completion of the Law on electricity and natural gas no. 123/2012, as well as for the modification of some normative acts. DEER estimates that at the end of 2022 it will achieve a 90% coverage on investments and will recover RON 43 mn. in the first 6 months of 2023 and reach 100% realization.

Supply segment

Key Projects

- Starting from the significant changes in the energy market regarding the regulatory framework and growing competition, EFSA finished an ambitious internal transformation project which set to successfully meet the current and future challenges and which mainly targeted the internal reorganization of the company, in terms of internal and external work processes and streamlining the customer experience in all points of contact, as well as the development of new skills specific to the sales area.
- In the first stage, the project focused on developing the sales strategy and in the second stage, the effort focused on internal processes, systems and technology improvement, and naturally, on upgrading organizational structures.
- During 2021, EFSA continued to implement the redefinition and adaption processes to the current challenges of the energy market, by optimizing and rethinking its activities, in order to provide the company's customers with services at the highest professional level. In 2022, EFSA continued its efforts to transform the internal processes in the sales and customer relations areas, focusing on digitization and automation.

- The current priorities in the supply segment are:
 - ✓ improving operational performance;
 - ✓ speeding up the digitization of main business workstreams;
 - ✓ continuous development of value-added products and services;
 - ✓ increasing the quality of supply service.

Regulatory framework

a) Primary legislation

In 2022, (including Q4 2021 applied in 2022), with an impact on the activity of supplying electricity and natural gas, the following normative acts were adopted:

- **GEO no. 143/2021** for the amendment of the Law on electricity and natural gas no. 123/2012, in force since 31 December 2021:
 - the ordinance mainly aims at transposing Directive (EU) 2019/944 on the internal market in electricity, including amendments / completions regarding, mainly:
 - provision of universal service (SU): by any provider on the competitive market (by providing the obligation regarding the elaboration of offers for SU and the provision of SU, upon request), only to domestic customers;
 - electricity supply price: elimination of the provisions regarding the regulation / approval of supply prices to final customers; mention, however, of the possibility of interventions in price formation for the protection of vulnerable customers or those in energy poverty, in compliance with certain conditions and notification to the European Commission;
 - wholesale electricity market: elimination of the obligation for transactions on this market to take place in a public and centralized manner; the new provisions explicitly mention "directly negotiated bilateral transactions";
 - obligations (various) suppliers: abrogation of the provisions regarding the establishment of single physical contact points at max. 50 km for customers receiving universal service;
 - (various) supplier rights: introduction of the possibility for suppliers to charge final customers (without distinction) commissions for the termination of supply contracts concluded for a determined duration and with fixed prices, in case of their early termination by the customer; introducing the possibility of charging a commission for changing the supplier, less for domestic customers and small businesses;
 - change of electricity supplier: introduction of the 24-hour supplier change deadline until 2026 and on any working day; providing for the right of customers to collectively change their supplier;
 - standard offers for electricity/price comparators: extension of suppliers' obligations regarding the elaboration of standard offers and their loading in the ANRE price comparator to include micro-enterprises (i.e. the enterprise that has less than 10 employees and whose figure annual business and/or whose total annual balance does not exceed EUR 2 mn.) with an estimated annual consumption below 100,000 kWh;
 - deceptive/incorrect commercial practices in the activity of supplying electricity/natural gas: maintaining the contravention found by ANRE only in relation to the non-domestic client and eliminating the correlative fine for non-compliance, from turnover and replacement with a fixed amount fine; for the relationship with the domestic clients, the commission of the contravention will be ascertained by the National Authority for Consumer Protection (ANPC);
 - electricity and natural gas invoicing: obligation to issue the regularization invoice for household customers once at max. 3 months, contravention for non-compliance, sanctioned with a fine;
 - ban on electricity disconnection: introduction of the possibility for ANRE to provide for other cases of non-disconnection in addition to those provided for vulnerable customers;
 - contraventions: return to the definition of the contravention committed repeatedly as implying the commission of at least twice the same contravention act, during 12 consecutive months (compared to the commission of at least twice before);

- prosumers: introduction of quantitative compensation (compared to previously only financial compensation), increase of power limits.
- **GEO no. 118/2021** regarding the establishment of a compensation scheme for the consumption of electricity and natural gas for the cold season 2021-2022, approved with modifications and completions by Law no. 259/2021:
 - the provided support scheme will be applied for the period November 2021- March 2022 and was established in the context of the price increase on the international electricity and natural gas markets, as well as of the effects caused by these increases for the Romanian population;
 - the following consumer support schemes are provided:
 - compensation for household customers if it falls within the maximum consumption limits provided for the entire application period (i.e. 1,500 kWh for electricity, 1,000 m³ for natural gas), respectively monthly and in the reference price of 0.68 RON/kWh for energy electricity, respectively 125 RON/MWh for natural gas; the value of the compensation is 0.291 RON/kWh for electricity, respectively 33% of the natural gas bill;
 - exemption from the payment of regulated tariffs, other contributions and excise duties for SMEs, individual medical practices and other liberal professions, micro-enterprises, authorized natural persons, individual enterprises, family enterprises (i.e. regulated introduction/withdrawal tariffs, distribution tariff, system services tariff, transport tariff, green certificates, contribution for high efficiency cogeneration and excise - for electricity; transport cost, distribution tariff and excise - for natural gas);
 - final price cap billed at maximum 1 RON/kWh, of which the price component of electricity of max. 0.525 RON/kWh for electricity, respectively no more than 0.37 RON/kWh, of which the price component of natural gas of max. 0.250 RON/kWh for natural gas for domestic customers, public and private hospitals, public and private educational units and nurseries, non-governmental organizations, religious units, public and private providers of social services;
 - suspension of payment of bills - on request, only for vulnerable consumers, for a period of min. 1 month and max. 6 months;
 - mechanisms are also provided for the settlement of the amounts related to the support schemes from the state budget to the electricity and natural gas suppliers.
- **GEO no. 2/2022** regarding the establishment of social protection measures for employees and other professional categories in the context of prohibition, suspension or limitation of economic activities, determined by the epidemiological situation generated by the spread of SARS-CoV-2 coronavirus, as well as for amending and supplementing normative acts:
 - the ordinance provides for amendments and completions of GEO no. 118/2021 as follows:
 - extending the scope of application of the ceiling by including in the category of beneficiaries and public cultural institutions and cultural establishments subordinated to the central and local public administration authorities;
 - the provision of the interdiction to disconnect or interrupt, until 30 June 2022, the supply of electricity for non-payment of household customers;
 - the provision, in case of invoices that do not comply with the legal provisions regarding the application of the support schemes (compensation, exemption, capping), of their ex officio restoration in max. 15 days from the date of issue. For the invoices already issued, the deadline for their restoration is 15 days from the entry into force of this GEO, so until 3 February 2022 (inclusive). Also, the execution of the obligation to pay the invoices being recalculated is suspended, until the issuance of the new invoices.
- **GEO no. 3/2022** for the amendment and completion of GEO no. 118/2021:
 - are provided, with the application between 1 February and 31 March 2022 the following amendments and completions of GEO no. 118/2021:
 - increasing the consumption margin for granting compensation, from 300 kWh/month (+10%) to 500 kWh/month (+10%) for electricity and from 200 m³/month to 300 m³/month for natural gas;
 - changing the capped price for domestic customers (from 1 RON/kWh to 0.8 RON/kWh for electricity and from 0.37 RON/kWh to 0.31 RON/kWh for natural gas) and introducing the capping for all customers non-household appliances (1 RON/kWh for electricity and 0.37 RON/kWh for natural gas);

- the capping still targets both the final price and the purchase component of electricity/natural gas: for domestic customers - 0.8 RON/kWh the final price for electricity, of which 0.336 RON/kWh the price component of electricity; 0.31 RON/kWh final price for natural gas, of which 0.200 RON/kWh natural gas price component; for non-household customers: 1 RON/kWh final price for electricity, of which 0.525 RON/kWh price component of electricity; 0.37 RON/kWh final price for natural gas, of which 0.250 RON/kWh natural gas price component;
- the recovery of the capped amounts will be made according to the thresholds indicated above, corroborated with the application period: from 1 November 2021 to 31 January 2022, by the difference between the average monthly purchase price and the threshold of 525 RON/MWh for electricity and 250 RON/MWh for natural gas. From 1 February the recovery is made: for household customers - by the difference between the average monthly purchase price and the threshold of 336 RON/MWh for electricity and 200 RON/MWh for natural gas; for non-household customers - due to the difference between the average monthly purchase price and the threshold of RON 525 for electricity and 250 RON/MWh for natural gas.

- **Joint order of the Minister of Labor and Social Solidarity (no. 183 / 14.02.2022), the Minister of Energy (no. 112 / 12.02.2022) and the Minister of Finance (no. 173 / 15.02.2022)** for approving the procedure and deadlines for the settlement of the amounts related to the compensation scheme, the documents based on which the settlement is made, as well as other measures necessary for the application of the provisions of the Government Emergency Ordinance no. 118/2021:
 - it is applied for the settlement requests of the amounts related to the compensation scheme, submitted or re-deposited after the date of entry into force of the order, the previously submitted settlement requests are solved according to the norms applicable at the date of their submission;
 - repeals the Order of the Minister of Labor and Social Solidarity, of the Minister of Energy and of the Minister of Finance no. 1155/1240/1480/2021;
 - clarifications are provided regarding the application of the support schemes and the settlement to the suppliers of the afferent amounts; the deadline for requesting payment of compensation by suppliers is 31 July 2022;
 - compensation scheme for household customers: the documents to be sent by the suppliers for settlement and the related terms are provided (the documents refer to a single calendar month and are prepared separately for electricity/natural gas);
 - scheme for exemption of non-household clients from the payment of regulated tariffs, excise duties, contributions, etc. - the following are provided: the documents that must be sent by the suppliers for settlement; a model application and self-declaration; the fact that, when the supplier changes, the compensation is made pro rata;
 - capping - it is provided that: the subscription (the equivalent value of the subscription services) is not included in the final invoiced price capped the average price from the settlement formula refers to the quantities purchased by each supplier; the difference for settlement will be calculated monthly.
- **GEO no. 27/2022** regarding the measures applicable to final customers in the electricity and natural gas market during the period 1 April 2022— 31 March 2023, as well as for the modification and completion of some normative acts in the energy field:
 - the application period of the support scheme (ceiling type) is 1 year, respectively 1 April 2022 – 31 March 2023.
 - for electricity the final invoiced price is: maximum 0.68 RON/kWh (VAT included) for household customers with average monthly consumption (achieved at the place of consumption in 2021) less than or equal to 100 kWh, maximum 0.8 RON/kWh (VAT included) for household customers with average monthly consumption between 100 kWh and 300 kWh inclusive, maximum 1 RON/kWh (VAT included) for non-household customers (the classification of household customers is based on the average monthly consumption In 2021, capped prices will apply for the entire period regardless of the amount consumed. In the case of household customers who did not initially qualify for capping but whose consumption in 2022 falls, suppliers issue in February 2023 regularization invoices using capped price for the tranche in which it consumed).

- for natural gas the final invoiced price is: maximum 0.31 RON/kWh (VAT included) for domestic customers, maximum 0.37 RON/kWh (including VAT) for non-household customers whose annual natural gas consumption is achieved in the year 2021 at the place of consumption is at most 50,000 MWh for thermal energy producers.
- customers connected after 1 January 2022 will be billed with a ceiling: household electricity customers with 0.68 RON/kWh (with the minimum ceiling), domestic gas customers with 0.31 RON/kWh (category ceiling), non-household customers of electricity with 1 RON/kWh (category ceiling) and non-household customers of natural gas with 0.37 RON/kWh (regardless of consumption).
- customers who do not fit in the ceiling will have adjustable prices per month, the variable being a correction component for the purchase price, so that the cost of the purchase (with PE within 5%) to be transferred to final customers. The only exception is the first two months of the application period, when the price is not adjustable. At the request of the final customers, the suppliers may conclude supply contracts in other conditions than those provided in the article that refers to the uncapped customers.
- the subscription is included in the ceiling; if the price from the contracts in force concluded with the final clients is lower than the capped price, the contractual price is applied.
- the supply component is 73 RON/MWh for the electricity supply activity and 12 RON/MWh for the natural gas supply activity and for the customers taken over in the last resort regime it is 80 RON/MWh for the electricity supply activity and 13.5 RON/MWh for the natural gas supply activity (GEO establishes the value of the supply component, without specifying that it is a maximum).
- for the purchase of electricity and natural gas, the monthly imbalance must not exceed 5% of the equivalent value of the energy delivered monthly to the final clients in the portfolio, which exceeds this threshold will not be recognized and settled; the purchase made for the supply in the last resort regime does not have the balancing cost limited to 5%; the obligation to set up storage deposits of at least 30% of the amount of natural gas necessary for the consumption of final customers from its own portfolio appears between 1 April and 31 October 2022.
- the recovery of the amounts from the capping is made entirely with the condition of respecting the 5% limit of the cost with the imbalances; losses recorded from the application of the support scheme between 1 November 2021 - 31 March 2022 can also be recovered (a supply cost of 73 RON/MWh is accepted and we have the cost limitation with imbalances to 5% of the acquisition cost) - because its recovery or at a high level it is necessary to bill all consumption, including SoLR, until the beginning of May.
- the supplier has the obligation to notify the clients regarding the changes deriving from the application of the GEO provisions together with the first invoice sent after the entry into force (the fine is between RON 100 th. and RON 400 th.).
- Fines: between 1-5% of turnover for non-compliance with the ceiling and cost limits; between RON 20 th. – RON 400 th. for non-compliance with the provisions for supply in the last resort regime; between RON 100 th. and RON 400 th. if we do not inform the final clients, if we do not keep differentiated/segmented the monthly records of the clients, we do not identify the clients in order to apply the ceilings or if we do not send the documents requested by ANRE.
- **GEO no. 42/2022** for the amendment and completion of the Government Emergency Ordinance no. 27/2022 regarding the measures applicable to final customers in the electricity and natural gas market during the period 1 April 2022— 31 March 2023, as well as for the modification and completion of some normative acts in the energy field:
 - the deadline for submitting documents for the recovery of the amounts capped is extended by applying GEO 118/2021 from 15 May to 15 July 2022;
 - ANRE publishes reporting models in order to settle the capped amounts, models that are drawn up for each category of clients that benefit from capping (average unit costs must be calculated both for the regulated network tariffs and for taxes); a fine of RON 50 th. was introduced for non-compliance with the instructions for uploading the models and for non-compliance with the deadlines for rectifying the data uploaded on the computer platform and re-submitting the requests/declarations for settlement;

- in the category of non-household natural gas customers that benefit from capping are also the producers of thermal energy without exceptions.
- **Joint Order no. 668/315/965/2022** - Order of the Minister of Labor and Social Solidarity, of the Minister of Energy and of the Minister of Finance regarding the amendment and completion of the annex to the Order of the Minister of Labor and Social Solidarity, of the Minister of Energy and of the Minister of Finance no. 183/112/173/2022 for the approval of the procedure and terms of settlement of the amounts related to the compensation scheme, of the documents based on which the settlement is made, as well as of other measures necessary for the application of the provisions 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 the completion of the Government Ordinance no. 27/1996 on granting facilities to persons residing or working in some localities in the Apuseni Mountains and in the "Danube Delta" Biosphere Reserve:
 - the annex is amended and supplemented with provisions regarding the updating of the value of green certificates by submitting an application by suppliers and introducing a new chapter detailing aspects regarding the settlement procedure as a result of the regularization procedure provided after the end of GEO 118, respectively after 31 March 2022 (request for settlement of the amounts related to the compensation for each calendar month for which the regularization settlement is requested, declaration on one's own responsibility).
- Regarding the legislation related to the energy sector in the first quarter of 2022, in the context of the COVID-19 pandemic, the government decided to successively extend the state of alert until 9 March 2022 by GD no. 1242/2021, GD no. 34/2022 and GD no. 171/2022.
- **Law no. 206/2022** for the approval of the Government Emergency Ordinance 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
 - The main new elements are the following:
 - a single invoice form will be introduced, elaborated by joint Order of ANRE and ANPC;
 - final electricity customers, who do not benefit from capping, are invoiced the minimum of the price from the supply contract in force and the final price resulting from the application of the GEO;
 - final natural gas customers are billed the minimum of the contract price, the capped final price and the price resulting from the application of the GEO.
- **GEO no. 112/2022** regarding the institution of measures to stimulate investments with financing from non-refundable external funds in the field of energy efficiency, renewable energy resources for large enterprises and small and medium-sized enterprises, green energy from renewable sources intended for local public authorities, as well as some measures in the field of intelligent specialization, as well as for the modification and completion of some normative acts:
 - regulates the general framework for the establishment of energy efficiency measures/use of renewable energy sources for large enterprises and SMEs with financing from non-reimbursable external funds allocated within the Large Infrastructure Operational Program;
 - amends and completes GEO 27/2022 with provisions regarding the elaboration and approval by ANRE with the consultation of ANPC of the mandatory minimum content of natural gas/electricity invoices so that the invoices contain correct, transparent, clear, legible and easy-to-understand information, which offer household customers the opportunity to adjust their own consumption and compare the commercial conditions of supply, respectively the suppliers have the obligation to implement in the computer system the provisions regarding the unitary invoice starting with the consumption in April 2023.
- **Law no. 248/2022** regarding the approval of the Government Emergency Ordinance no. 143/2021 for the amendment and completion of the Electricity and Natural Gas Law no. 123/2012, as well as for the modification of some normative acts.

Approve GEO 143/2022 with changes and additions regarding:

- the definition of energy from renewable sources, the definition of economic efficiency, the definition of the prosumer (completed with a mobile unit equipped with electrical energy production systems during regenerative braking);
- ANRE's obligations regarding the promotion of comparison, granting access to an application programming interface (API) for software developers, publishing aggregated data within 30 days;
- producers have the obligation to trade at least 40% of the annual electricity production by contract on the electricity markets, other than DAM, PI and PE (except from this provision production capacities put into operation after June 1, 2020) ;
- the supplier has the obligation to ensure at least 40% of the electricity needed to cover the consumption of final customers from its own production portfolio or by purchase through the term contract on the electricity markets, other than DAM, PI and PE;
- prosumers, individuals, legal entities and local public administration authorities that own power plants that produce energy from renewable sources are exempt from the obligation to purchase annual and quarterly green certificates for their own final consumption; prosumers can also request quantitative compensation of regenerative energy resulting from regenerative braking;
- in household requests, authorized natural persons, individual businesses, family businesses and public institutions that connect to the low voltage network, the distribution operator will reimburse the applicant, within a period of 5 years, the effective value of the works. of the design and execution of the connection, up to an average value of a connection, stability according to a methodology approved by ANRE, the recovery of costs regarding the connection of household customers, is carried out with accelerated amortization over a period of 5 years, through distribution tariffs;
- in the case of non-domestic requests, the value of the connection works is fully borne by them, the resulting assets do not belong to the distribution operator's patrimony, but are transferred only to the operator's exploitation;
- **GEO no. 119/2022** — Emergency Ordinance for amending and supplementing the Government's Emergency Ordinance no. 27/2022 regarding the measures applicable to final customers in the electricity and natural gas market in the period April 1, 2022—March 31, 2023, as well as for the amendment and completion of some normative acts in the field of energy
 - the application period of the support scheme (of the cap type) is 1 September 2022- 31 August 2023,
 - the capped final billed price for electricity is: maximum 0.68 RON/kWh, (VAT included) in the case of household customers whose average monthly consumption at the place of consumption in 2021 is between 0-100 kWh inclusive; a maximum of 0.80 RON/kWh (including VAT) in the case of household customers whose average monthly consumption at the place of consumption in 2021 was between 100.01-300 kWh - for a monthly consumption of a maximum of 255 kWh; a maximum of 1 RON/kWh (including VAT) for 85% of the average monthly consumption at the point of consumption in 2021, in the case of small and medium-sized enterprises (SMEs), economic operators in the food industry, public institutions; maximum 1 RON/kWh (VAT included) for the full consumption of public and private hospitals, public and private educational institutions, nurseries, and public and private social service providers. In order to benefit from the facilities provided by this GEO starting from 1 September 2022, the previously mentioned non-domestic customers have the obligation to submit to the electricity supplier a request accompanied by a declaration on their own responsibility, within a maximum of 30 days from the date of entry into force of this GEO. Beneficiaries falling under the provisions of the GEO who did not submit the request accompanied by a declaration on their own responsibility in September 2022, as well as those established after 1 September 2022, benefit from the provisions of this GEO starting from the 1st of the month following their submission to supplier.
 - the capped final billed price for natural gas is: maximum 0.31 RON/kWh (including VAT) in the case of domestic customers (it also applies to the consumption places of domestic customers connected starting from 1 January 2022 or for domestic customers) that have no history in 2021 with the supplier, by reference to the monthly consumption achieved); a maximum of 0.37 RON/kWh (including VAT) in the case of non-domestic customers whose annual natural gas consumption achieved in 2021 at the place of consumption is no more than 50,000 MWh, as well as in the case of heat energy producers (also applies in the case of places of consumption of non-household customers connected starting from 1 January 2022);

- the values and tranches provided for the capping scheme may be modified by Government decision, depending on the developments recorded on the domestic and international electricity and natural gas markets and the geopolitical evolution in Romania's neighborhood;
- the electricity supply component, respectively natural gas, is 73 RON/MWh for the electricity supply activity, respectively 12 RON/MWh for the natural gas supply activity;
- the compensation values, for each supplier, are determined by ANRE, within 30 days from the date of receipt of the settlement requests, submitted and registered at ANPIS (domestic customers), respectively ME (non-domestic customers) and, in a copy, to ANRE;
- the maximum value of the weighted average price of electricity at which ANRE calculates the amounts to be settled from the state budget for electricity suppliers is 1,300 RON/MWh;
- starting from 1 September 2022, during the period of application of the provisions of this emergency ordinance, electricity producers, aggregated electricity production entities, traders, suppliers that carry out trading activity and aggregators that transact quantities of electricity and /or natural gas on the wholesale market pay a contribution to the Energy Transition Fund calculated according to the methodology in this GEO;
- bilateral contracts concluded on the wholesale market through direct negotiation are reported to ANRE by the contracting parties within 2 working days from the date of conclusion;
- the successive sale of certain quantities of electricity or natural gas by traders and/or suppliers with trading activities, with the obvious purpose of increasing the price, is sanctioned by ANRE, with a fine of 5% of the turnover;

b) Secondary legislation:

During the reference period, at the level of the regulatory framework, the following changes and completions were registered:

- **ANRE Order no. 1/2022** for the abrogation of ANRE Order no. 32/2016 on the approval of the Methodology for drawing up the Annual Report by licensees in the electricity and heat sector:
 - the obligation of the license holders (including the suppliers) to prepare and send to ANRE the annual report regarding the activities that are the object of the license has been eliminated.
- **ANRE Order no. 3/2022** for the approval of the Regulation on the organization and operation of the online platform for changing the electricity and natural gas supplier and for contracting the supply of electricity and natural gas:
 - application deadline - 28 August 2022;
 - initiative in order to achieve the objective provided by the European legislation regarding the change of supplier in 24 hours, starting with the year 2026;
 - ANRE is the administrator and operator of the platform in which data will be uploaded by end customers, suppliers, network operators, aggregators, etc. (including standard offers of suppliers), which will facilitate the process of changing the supplier by going through the necessary administrative and technical stages and through which customers will be able to contract a new supplier;
 - The regulation describes also the rules regarding the conclusion of the supply contract, respectively the effective procedure for changing the supplier, which will replace the procedure in force.
- **ANRE Order no. 4/2022** for the amendment and completion of ANRE Order no. 143/2020 regarding the obligation of producers whose annual production achieved in the previous year exceeds 3,000,000 MWh to offer natural gas on the centralized markets of natural gas:
 - the quantitative weight provided for the period 1 January – 31 December 2022 and distributed in order to be offered on each of the standardized products was modified.
- **ANRE Order no. 12/2022** - for the approval of the Procedure regarding the establishment and individualization of the contravention sanctions related to the turnover resulting from the control activity:
 - the procedure aims to establish the necessary rules for establishing and individualizing the contravention sanctions related to the turnover provided in the Law on electricity and natural gas no. 123/2012;

- the individualization of the sanctions is made according to the gravity and duration of the deed, the impact produced on the electricity or natural gas market, and of the final customer, respecting the principles of effectiveness, proportionality and the discouraging effect of the sanction;
- **ANRE Order no. 13/2022** - for the approval of the Procedure regarding the establishment and individualization of the contravention sanctions related to the turnover, by the Regulatory Committee of the National Energy Regulatory Authority, as a result of the investigation actions:
 - the procedure aims at establishing and individualizing the contravention sanctions related to the turnover provided in the Law on electricity and natural gas no. 123/2012 and applies to the investigation activities carried out by ANRE in the electricity and natural gas sector.
- **ANRE Order no. 14/2022** regarding the establishment of the mandatory quota for the acquisition of green certificates related to the year 2021:
 - the mandatory quota for 2021 was set at the level of 0.449792 GC/MWh (compared to 0.4505 GC/MWh the estimated quota for 2021 and 0.45074 GC/MWh the mandatory quota for 2020).
- **ANRE Order no. 15/2022** for the approval of the Methodology for establishing the rules for the sale of electricity produced in power plants from renewable sources with installed power of up to 400 kW per place of consumption belonging to prosumers:
 - enters into force on 1 May 2022 and repeals ANRE Order no. 50/2021 for the approval of the rules for the sale of electricity produced in power plants from renewable sources with installed power of up to 100 kW belonging to prosumers
 - suppliers must notify the prosumers with whom they already have contracts (with $P < 100\text{ kW}$) regarding the modification of the applicable legal framework and the possibility to benefit on request from the quantitative compensation mechanism; at the request of the prosumers, the suppliers must send the signed contracts within 10 days;
 - for the application on request of the quantitative compensation mechanism, the installed electric power of the power plant for the production of electricity from renewable sources is at most 200 kW per place of consumption; the quantitative compensation is made at the price of active electricity, and the eventual surplus is carried forward for a maximum of 24 months - after this period, the unused quantity will enter the process of financial regularization.
 - for the application on request of the financial regulation mechanism, the installed electric power of the power plant for the production of electricity from renewable sources is higher than 200 kW, but not more than 400 kW per place of consumption; for financial compensation the reference is the weighted average market price for the next day of the month in which the electricity was produced and delivered
- **ANRE Order no. 24/2022** on the amendment of the Regulation for the granting of licenses and authorizations in the electricity sector, approved by the Order of the President of the National Energy Regulatory Authority no. 12/2015:
 - ANRE may grant several licenses to the operators of the electricity market, depending on the requests (amends the regulation in order to rename the type of license granted to the operator of the electricity market and to eliminate the legal prohibition of issuing a single license of this type on the electricity market in Romania).
- **ANRE Orders no. 27 - 31/2022** for the amendment of the annex to the ANRE Orders no. 118 - 123/2021 on the approval of the specific tariffs for the electricity distribution service and the price for the reactive electricity, for the Company Delgaz Grid — S.A /Societatea Distribuție Energie Electric Romania — S.A/ Societatea Distribuție Energie Oltenia — S.A/ Societatea E-Distribuție Banat — S.A/ Societatea E-Distribuție

Dobrogea — S.A./ Societatea E-Distribuție Muntenia — S.A.

- the new tariffs are applicable from 1 April 2022;
- the low voltage tariffs for Distributie Energie Electrica Romania are higher by 17% - 25% compared to the first quarter of 2022 (there were increases for all categories respectively the lowest of 9.1% at HV – Transilvania Nord and the highest by 30.2% at MV-Muntenia Nord).
- **ANRE Order no. 25/2022** amending and supplementing the Order of the President of the National Energy Regulatory Authority no. 163/2015 for the approval of the General Conditions associated with the license for the management of the centralized electricity markets.
 - extending the scope of the general conditions associated with the license for the activity of the electricity market operator, in order to create the premises for granting this type of license to other operators of the electricity market;
 - differentiation and clear specification of the rights and prohibitions of the quality of EMO (Energy Market Operator) or the quality of DEMO (Designated Electricity Market Operator).
- **ANRE Order no. 33/2022** for the amendment of Annex no. 1 of the Order of the President of the National Energy Regulatory Authority no. 124/2021 on the approval of the average tariff for the electricity transmission service, of the transmission tariff components for the introduction of electricity into the grid (TG) and for the extraction of electricity from the grid (TL), of the tariff for the system service and of the regulated price for reactive electricity, practiced by the National Electricity Transmission Company "Transelectrica" — S.A.
 - the new tariffs are applicable from 1 April 2022;
 - the average tariff for the electricity transmission service is higher by 17.3%, the transmission tariff - the component of electricity introduction into the grid is higher by 69.8% (TG is – 2.53 RON/MWh), the transmission tariff - the component for extracting electricity from the network is higher by 13.8% (TL is – 25.57 RON/MWh) compared to the first quarter of 2022.
- **ANRE Order no. 64/2022** for amending and supplementing the Performance Standard for the electricity distribution service, approved by the Order of the President of the National Energy Regulatory Authority no. 46/2021.
 - the reading interval of the index of the metering group is established by contract and can be more than one month, but it should not exceed 3 months in the case of household customers and 6 months in the case of non-household final customers, for prosumers it is a calendar month, for users who benefit from intelligent electricity metering systems The DO has the obligation to ensure access to historical consumption data (non-compliance with these terms leads to payment of some compensations);
 - establishes a timetable for monitoring stations and transformation points - the final implementation deadline is 01 January 2028.
- **ANRE Order no. 65/2022** for the approval of the Regulation on the organized framework for contracting electricity by large final customers
 - simplification of the organized framework for contracting electricity for large final customers of electricity (with an annual consumption of more than 70,000 MWh) established by ANRE Order no. 55/2012: elimination of the obligation to use the framework contract, extension of market participation by accepting TSO and OD exclusively for the acquisition of NL, reduction of the average power per settlement range from 10 MW to 5 MW, the possibility for the per settlement interval with a maximum of 0.5 MW per settlement interval, minimum delivery time of one month, elimination of the public negotiation stage.
- **ANRE Order no. 66/2022** for the approval of the Methodology regarding the determination of the level of the minimum natural gas stock that the licenses holders of the natural gas supply have the obligation to lodge in the period April 2022 – October 2022
 - the quantities of natural gas representing the minimum stocks to be stored by each supplier in the period April 2022 - October 2022 represent at least 30% of the quantity of natural gas required for the consumption of final customers in its portfolio for the period 1 November 2022 - 31 March 2023 (are

established reporting models with the quantity broken down for each month and category of consumers and monitoring models with the level of fulfillment of the natural gas storage obligation).

- **ANRE Order no. 67/2022** regarding the application in April 2022 of the provisions of art. 23 of the Methodology for determining and monitoring the contribution for high efficiency cogeneration, approved by the Order of the President of the National Energy Regulatory Authority no. 117/2013
 - during April 2022 ANRE analyzes the value of the contribution for cogeneration, and if it varies by more than +/- 2.5% compared to the value in force, until 30 April 2022 the new value of the contribution will be approved by ANRE order for the year 2022.
- **ANRE Order no. 69/2022** for the amendment of the Order of the President of the National Energy Regulatory Authority no. 123/2017 regarding the approval of the contribution for high-efficiency cogeneration and some provisions regarding its invoicing method
 - starting from 1 May the contribution for high-efficiency cogeneration has the value of 0.02044 RON/kWh, exclusive of VAT.
- **ANRE Order no. 73/2022** for the amendment of the Regulation on the organized framework for electricity contracting by large final customers, approved by the Order of the President of the National Energy Regulatory Authority no. 65/2022
 - the possibility of introducing initiatory offers by producers participating in the market.
 - the removal of the specification according to which the final large customer of electricity includes the transport and system operator and the distribution operators who purchase, individually or through aggregation, electricity to cover their own technological consumption, they can participate in the market from the position of final customer.
- **ANRE Order no. 72/2022** for the approval of the Regulation on the storage of natural gas in the natural gas transport system
 - the regulation includes: natural gas storage methods (natural gas storage in the natural gas transportation system, in the natural gas transportation pipeline, in high-pressure annular distributors and in above-ground metal tanks), the calculation of the energy of the existing natural gas in the pipelines ST related transport and ST monitoring.
- **ANPC Order no. 155/2022** – Order for the approval of the Procedure for establishing and applying the sanction to the turnover resulting from the control activity applied between 1 April 2022 and 31 March 2023 and for the approval of the instructions regarding the work procedure.
 - the individualization of sanctions is done according to the gravity and duration of the act, the impact produced on the market and energy consumers, respecting the principles of effectiveness, proportionality and the dissuasive effect of the sanction applied. The evaluation of the seriousness of the commission of an act is done on a case-by-case basis, for each type of violation, taking into account all the relevant circumstances.
- **ANRE Order no. 76/2022** on the approval of the Performance Standard for the underground natural gas storage service
 - the following general performance indicators are established: IP0 (registration of requests/reports/complaints regarding the underground gas storage service), IP1 (contracting of the gas storage service and compliance with the conditions for handing over the quantities of gas), IP2 (notification of limitations and /or unplanned interruptions and the resumption of the provision of the underground gas storage service), IP3 (notification of planned limitations and/or interruptions and the resumption of the provision of the underground gas storage service), IP4 (settlement of requests/reports/complaints regarding the provision of the underground gas storage service natural gas, other than those treated separately in this standard), IP5 (Tel Verde), IP6 (realization of the obligation to pay the compensations due in accordance with the provisions of the performance standard for the underground natural gas storage service)
- **ANRE Order no. 79/2022** – Order for the approval of the Regulation on the organization and operation of

the electricity futures contract market, organized by Societatea Bursa Romana de Marfuri — S.A.

- establishes the organized framework for electricity trading on the electricity futures contract market, through electronic trading platforms managed by the Romanian Commodity Stock Exchange - S.A. (the simple competitive trading mechanism - for the launch of the standard product for trading, the participant sends an initiating order to the BRM, the double competitive trading mechanism)
- the launch of the standard products for trading is done on the initiative and by the BRM so that they are available for trading at any time consecutive term contracts for: the first 6 calendar months, the first 5 calendar quarters, the first 3 calendar semesters, the first 2 calendar years).

- **ANRE Order no. 80/2022** - Order for the modification and completion of some orders of the president of the National Energy Regulatory Authority.
 - the Network Code for the National Natural Gas Transmission System is amended - URs have the obligation to enter on day D+1, for gas day D-1, sales and purchase orders in the sense and within the limit of the daily imbalance communicated by the OTS, respectively sale in case of surplus and purchase in case of deficit.
 - the Methodology for reserving transport capacity for Isaccea - Negru Voda and Isaccea 1 - Negru Voda 1 is modified.
- **ANRE Order no. 91/2022** — Order for the approval of the Regulation on the last resort supply of electricity
 - have been unified in a single regulation Regulation on the designation of last resort suppliers of electricity Ord. ANRE no. 188/2020, Regulation on the takeover by suppliers of last resort of the places of consumption of end customers who have not secured the supply of electricity from any other source - ANRE Ord. no. 242/2020 and the framework contract for the supply of electricity to final customers taken over by the supplier of last resort.
 - the introduction of the obligation of the SoLR that has the largest market share in a network area, to take over the places of consumption that, on the date of entry into force of ANRE Order no. 91/2022, do not have a supply contract, and which are not disconnected;
 - the introduction of an alternative system for the nomination of SoLR that automatically takes over clients consisting of a monthly rotation system. Thus, for this purpose, the SoLR list is established in descending order of market share, each SoLR in the list being nominated in turn, monthly, to automatically take over the customers who are left without a supplier that month. For periods when no support measures are imposed by primary legislation, the nomination system implies the obligation of the SoLR to transmit the final price at least 7 days before the month for which the nomination is made, so that the SoLR Nomination List is known, within a period that allows the transmission of the takeover request;
 - the introduction of automatic takeover by the nominated SoLR of non-domestic customers with a power approved by the technical connection notice/connection certificate of no more than 1 MVA, in the event of termination of the electricity supply contract by reaching the deadline or by termination by the current supplier;
 - limiting the period in which a customer can be in the portfolio of an SoLR, namely 12 months in the case of household customers and non-household customers with a power of up to 1 MVA, and 6 months in the case of non-household customers with a power of over 1 MVA. 30 days prior to the date of termination of the contractual relationship, SoLR notifies customers of the termination of the supply of electricity, or as the case may be, the extension of the supply period, specifying the period for which it ensures the supply of electricity. If at the end of the period, clients have not been able to conclude a contract in the competitive market, they can still benefit from the services of an SoLR if they so request.
- **ANRE Order no. 90/2022**— Order on the amendment and completion of the Order of the President of the National Energy Regulatory Authority no. 52/2021 for the approval of the Monitoring Methodology of the system for promoting the production of electricity from renewable energy sources
 - Establishes the mode, format and frequency of data reporting: information on electricity sales-purchase contracts concluded with prosumers that own power plants producing electricity from renewable energy sources, respectively the amount of electricity that benefits from quantitative compensation ($P_i < 200$ kW), information regarding the electricity sale-purchase contracts concluded with prosumers who own power

plants producing electricity from renewable energy sources, respectively the amount of electricity that benefits from financial regularization (Pi 200 kW and 400 kW), information on bilateral contracts negotiated directly for the sale and purchase of electricity concluded with prosumers.

- **ANRE Order no. 94/2022** — Order amending some orders of the president of the National Energy Regulatory Authority in the field of promoting electricity from renewable energy sources
 - modification of the threshold of electrical power installed in power plants from renewable energy sources belonging to prosumers, from 100 kW to 400 kW per point of consumption (amendment of ANRE Order no. 179/2018)
 - amending the Regulation on the organization and operation of the green certificate market - ANRE Order no. 77/2017, in the sense of specifying the two major categories of economic operators participating in the green certificates market, the accredited producers of electricity from renewable energy sources and the economic operators with the obligation to purchase green certificates.
- **ANRE Order no. 92/2022** — Order on the amendment and completion of the Regulation on the calculation and settlement of imbalances of the parties responsible for balancing — single imbalance price, approved by the Order of the President of the National Energy Regulatory Authority no. 213/2020, and for the amendment of some orders of the president of the National Energy Regulatory Authority
 - the redistribution was reintroduced, i.e. the rules for calculating additional costs/revenues from balancing the system, how to distribute their value to each party responsible for balancing (PRE) and aspects related to the information note on settlement, invoicing and payments are provided.
 - the reduction from 6 months to 2 months of the term in which the participant can request the correction of the settlement with arguments, from the posting on the dedicated IT platform of the information note for the settlement, which will lead to an increase in the degree of responsibility of the participants in the balancing market.
- **ANRE Order no. 95/2022** — Order on the amendment and completion of the Order of the President of the National Energy Regulatory Authority no. 15/2022 for the approval of the Methodology for establishing the rules for the sale 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
 - modify ANRE Order no. 15/2022 in the sense that it brings clarifications regarding the average purchase price of energy produced and delivered by prosumers, in accordance with the provisions of GEO 27/2022, with subsequent amendments and additions, the invoicing method and the elements highlighted in the invoices;
 - for the energy consumed by prosumers as customers, we have clarifications regarding the final billed price;
 - for the sale-purchase contract of electricity produced in power plants from renewable energy sources with an installed electric power of no more than 200 kW per place of consumption and delivered to the electricity network - the contract price is the price of the active electricity used by the electricity supplier electricity in the supply contract concluded with the prosumer as a consumer, during the billing period, established according to the methodology;
 - for the sale-purchase contract of electricity produced in power plants from renewable energy sources with an installed power of more than 200 kW, but not more than 400 kW per point of consumption and delivered to the electricity network - the contract price is equal to the weighted average price recorded in the market for the following day in the month in which electricity was produced and delivered to the electricity network, published by OPCOM.
- **ANRE Order no. 96/2022** — Order for the approval of the Methodology for establishing the mandatory annual quota for the purchase of green certificates
 - the methodology establishes: the method of calculation of the estimated mandatory annual share of the purchase of green certificates for the following year, the method of calculation of the number of green certificates related to the non-fulfillment of the estimated mandatory annual share of green certificates, for

each analysis quarter, by the economic operators with obligation to purchase green certificates, how to calculate the mandatory annual quota for the purchase of green certificates for the year of analysis, how to calculate the number of green certificates related to the non-fulfillment of the mandatory quota for the purchase of green certificates for the year of analysis by economic operators with obligation to purchase green certificates.

- provisions were introduced for the exemption from the quarterly and annual legal obligation to purchase green certificates of prosumers and producers who own electricity production units from renewable sources according to the provisions of art. 731 para. (7) from the Electricity and Natural Gas Law no. 123/2012
- increasing the period of transmission of errors in reporting the quantities of electricity billed/supplied, from 15 working days to 18 working days from the date of issuing the decision.
- **ANRE Order no. 109/2022** — for the amendment and completion of the Order of the President of the National Energy Regulatory Authority no. 3/2022 for the approval of the Regulation on the organization and operation of the online platform for changing the supplier of electricity and natural gas and for contracting the supply of electricity and natural gas
 - ANRE order no. 3/2022 enters into force on August 28, 2022, but applies starting from 10 October 2022, with some exceptions (suppliers' point of view, presented in point 4 below);
 - thus, the deadline for preparing/testing the POSF platform was extended until 10 October 2022;
 - until this date (10.10.2022), supplier change requests are resolved according to ANRE Ord. 234/2019 – Procedure regarding the change of electricity/natural gas supplier by the end customer, with subsequent amendments and additions. After this date, Ord. ANRE no. 234/2019 is repealed.
 - the supplier's obligations (art. 26, art. 27 letters a, b, c, e, k, l, m, n) apply starting from 28 August 2022 and include: the suppliers' obligations related to registration in the POSF, the organization activities for POSF, testing, connecting with POSF, registration of standard offers in the comparator, including the provision of related contracts, migration to POSF of all the necessary information to become functional on 10.10.2022.
- **ANRE Order no. 110/2022** — 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
 - in order to ensure the supply under the LR regime to the final customers who have not secured the supply from any other source, ANRE designates a number of at least 7 SoLR, whose cumulative share of the market, calculated for the competitive market by the equal weight of the number of places of total of final customers and the amount of natural gas sold to them in the last 12 months, to be at least 70%. The shares on the competitive market of the designated SoLR suppliers at the time of the analysis are taken into account, with the exception of those for which the decision was issued stating the termination of the applicability of the SoLR designation decision;
 - if a supplier has been designated SoLR through selection based on availability and eligibility, he can renounce the status of SoLR, upon request, if the following are cumulatively fulfilled: a) at least 1 year has passed since the date of designation, b) on the date from which he wishes to give up, he does not have in his portfolio clients taken over in SoLR;
 - if a supplier has been designated SoLR through selection based on eligibility and ability, he can renounce the status of SoLR, upon request, if the following are cumulatively fulfilled: a) at least 1 year has passed since the date of designation, b) the list of appointed SoLRs contains at least 7 suppliers whose cumulative market share is at least 70%, c) on the date on which he wishes to give up, he does not have any clients taken over by SoLR in his portfolio;
 - for places of consumption with an annual consumption less than or equal to 28,000MWh, SoLR decides freely whether to extend the period of guaranteeing the supply of natural gas under the UI regime to the places of consumption of the customers taken over after meeting the minimum duration and notifying the

customers taken over , at least 30 days before, the cessation of the supply of natural gas under the LR regime. The notification may contain an attached offer to supply natural gas under a competitive regime;

- the activity of supplying natural gas under the LR regime for final customers whose places of consumption are automatically taken over is done in compliance with the framework contract for the supply of gases under the LR regime:
 - a) without the need to sign the contract concluded with SoLR, for the place of consumption with an annual consumption less than or equal to 28,000 MWh; if the taken over customer requests SoLR to sign and transmit the natural gas supply contract in the UI regime concluded with SoLR, he has the obligation to transmit it to the customer within a maximum of 5 working days;
 - b) based on a supply contract concluded and signed with SoLR, for the place of consumption with an annual consumption greater than 28,000 MWh; in the period between the date of takeover by SoLR and the date of signing the UI contract, between the customer taken over and SoLR, it is allowed for SoLR to supply natural gas under the LR regime for the places of consumption of the customer taken over without the existence of a contract signed with this, in compliance with the framework contract for the supply of natural gas under the LR regime;
- SoLR has the right to ask the final customer taken over with an annual consumption greater than 28,000 MWh to set up a financial guarantee, after the date of transmission of the takeover information / after receiving from the customer the takeover request under the LR regime; The amount of the financial guarantee is established by order and must be established within a maximum of 5 working days from the date of receipt of the request. It is possible to specify the possibility for the customer to opt for payment in advance.
- termination of the obligation to supply natural gas in the LR regime: on the date from which the contract related to the supply of natural gas in a competitive regime concluded by the customer with a competitive supplier takes effect, upon completion of the duration provided for the situations in art. 24 para. (2) (i.e. at least 12 months from the date of takeover, one month from the date of takeover, the date of termination of the suspension of the NG supply license of FA, the duration established by ANRE, etc.), in the event of non-payment of invoices, in the event of non-establishment of the financial guarantee (for final customers with annual consumption greater than 28,000 MWh) / non-payment of the invoice in advance / daily invoices, in the event of expressing disagreement regarding the resumption by SoLR, in the event of not concluding the SoLR contract (when this obligation exists);
- during the application period of the provisions of the support scheme, SoLR do not transmit the values of the price components for the supply of gas under the LR regime for the following calendar month (CU_ach-SoLR_estimated, CU_fz-SoLR_estimated, CU_tr-SoLR);
- by way of derogation, for the period of application of the provisions of the support scheme, ANRE establishes and publishes on its website the SoLR Ranking in ascending order of the market share related to the last month, calculated by the equal weight of the number of consumption places of final customers and of the amount of natural gas sold to them. Starting with September 2022, each SoLR will be allocated one calendar month, in order of ranking;
- in the event of the occurrence of any of the situations (i.e. FA loses the quality of supplier, FA license suspension, etc.) during the period of application of the provisions of the support scheme, the places of consumption will be taken over by an SoLR nominated by ANRE from SoLRs designated on the basis of: a) the allocation month criterion, b) the takeover capacity criterion, by verifying the fulfillment of the condition that the total number of consumption places taken over is not greater than 30% of the number of

consumption places of the end customers from their own portfolio to whom the supply is ensured natural gas under the competitive regime, c) the criterion of availability for taking over;

- SoLR that has the obligation to take over, at the request of the final customer, the place of consumption with an annual consumption greater than 28,000 MWh is the SoLR of the respective calendar month, established by ANRE through the SoLR Ranking;
- SoLR nominated to automatically take over the place of consumption with an annual consumption less than or equal to 28,000 MWh is SoLR from the respective calendar month established by ANRE through the SoLR ranking. By way of exception, in the situation where the supply contract has ceased as a result of unilateral denunciation by the client, it is taken over at the request of SoLR from the respective calendar month;
- For customers with an annual consumption of more than 28,000 MWh, in case of termination of the contract with FA/SoLR, if the final customer does not find a supplier, the customer has the right to request any SoLR among those designated by ANRE to ensure the supply LR.

- **ANRE Order no. 112/2022** — Order regarding the extension of the deadline for reporting the data related to the month of July, 2022 provided for in art. 23 para. (6) from the Methodology for monitoring the system for promoting the production of electricity from renewable energy sources, approved by the Order of the President of the National Energy Regulatory Authority no. 52/2021
 - The deadline for reporting data related to July 2022 provided for in art. 23 para. (6) from the Monitoring Methodology of the system for promoting the production of electricity from renewable energy sources, approved by ANRE Order no. 52/2021 is extended until 30 September 2022.
- **ANRE Order no. 117/2022** - Order for the approval of the Regulation on the organization and operation of the electricity futures contract market, organized by the Romanian Stock Exchange — S.A.
 - The regulation establishes the organized framework for electricity trading on the electricity futures market, through electronic trading platforms managed by the Romanian Stock Exchange - S.A.
 - BRM organizes trading sessions for standard products in terms of the following characteristics: daily delivery profile (in-band delivery, peak load delivery, off-load delivery), average power per contract settlement interval of 0.1 MW or multiple of 0.1 MW, the electricity delivery period (multiple of a day, 1 week, the balance of the month - respectively the period formed by the rest of the delivery days within a calendar month in progress, starting with the second calendar day following the day of conclusion of a transaction, 1 month, 1 quarter, 1 semester, 1 calendar year).
 - Revoke ANRE order no. 79/2022
- **ANRE Order no. 116/2022** — Order on the approval of the Methodology for establishing the tariff for the acquisition of system services
 - ANRE Order no. 45/2017
 - establishes the method of calculating the regulated income necessary for the acquisition by the transport and system operator of system services and the method of calculating the tariff for the acquisition of system services. The income is necessary for the transport and system operator to purchase the types of system services provided by the Technical Qualification Procedure for the provision of system services, approved by ANRE Order no. 89/2021, with subsequent amendments.
 - the tariff for the purchase of system services is applied to the electricity extracted from the electricity networks, with the exception of the exported electricity.
- **ANRE Order no. 118/2022** — Order for the modification and completion of the Methodology for establishing the mandatory annual quota for the purchase of green certificates, approved by the Order of the President of the National Energy Regulatory Authority no. 96/2022
 - provisions have been introduced that exempt from the quarterly and annual legal obligation to purchase prosumer green certificates and producers who own electricity production units from renewable sources,

for their own final consumption, fed at the place of production from energy production electricity from renewable sources;

- the method of collecting the necessary data for establishing the estimated mandatory annual quota for the purchase of green certificates/annual mandatory quota for the purchase of green certificates and the degree of fulfillment of the legal obligations for the quarterly/annual purchase of green certificates was specified, with the establishment of models of reporting applicable in general, but also with the establishment of specific reporting templates for the third quarter of the analysis of the year 2022 and for the analysis year 2022
- **ANRE Order no. 121/2022** — Order to amend some orders of the president of the National Energy Regulatory Authority regarding the electricity market
 - Modification of ANRE Order no. 127/2021 by: changing the term of application of the Order from October 1, 2022 to October 1, 2023; extending the term for modifying the configuration of the existing PE platform, according to the requirements of the Regulation on terms and conditions for balancing service providers and for frequency stabilization backup providers, from 9 months to 1 year and 6 months; the elimination of some definitions (RFP, connector OD and necessary adjustment) and the elimination of the term daily offer and its replacement with a balancing energy offer; changing the parameters of the variable characteristics of the balancing energy offer for the standard RRFm product; replacing the phrase system services with balancing services;
 - Modification of ANRE Order no. 128/2021 by extending the application period from 1 October 2022 to 1 October 2023
- **ANRE Order no. 120/2022** — Order on the amendment and completion of the Regulation on the detection, notification and sanctioning of deviations from the regulations issued in the field of energy applicable to the investigative activity carried out by the National Energy Regulatory Authority, approved by the Order of the President of the National Energy Regulatory Authority no. 62/2013
 - establishes the regime for detection, notification and sanctioning of violations of a contraventional nature, detected in the investigation activity by supplementing and amending the Regulation (Order 62/2013), in accordance with the provisions of the Procedure regarding the establishment and individualization of contraventional sanctions related to turnover, of to the Regulatory Committee of ANRE, as a result of the investigative actions, approved by Order no. 13/2022, with the changes brought by ANRE Order no. 101/2022 and ANRE Order no. 100/2022.
- **ANRE Order no. 125/2022** — Order on the approval of the reference price of electricity produced in high-efficiency cogeneration, which benefits from a bonus
 - the reference price of: 599.32 RON/MWh, exclusive of VAT, is approved for producers under the scope of art. 15 para. (1) from Government Emergency Ordinance no. 27/2022 and which mainly uses natural gas as fuel; 950.98 RON/MWh, exclusive of VAT, for producers under the scope of art. 15 para. (1) from Government Emergency Ordinance no. 27/2022 and which uses mostly solid fuel; 963.82 RON/MWh, exclusive of VAT, for producers under the scope of art. 15 para. (2) from Government Emergency Ordinance no. 27/2022. The previously mentioned prices apply in the period 1 November - 31 December 2022 and in 2023 and are used in the overcompensation analysis of the activity related to the year 2022, the period November-December and the year 2023, as well as in the ante-overcompensation analysis related to the year 2023.
- **ANRE Order no. 126/2022** — Order on the approval of the reference bonus values for electricity produced in high-efficiency cogeneration and reference prices for thermal energy produced in cogeneration, applicable in 2022
 - approve the values of the reference bonuses for the electricity produced in high-efficiency cogeneration and delivered from the power plants that benefit from the support scheme for the promotion of high-

efficiency cogeneration based on the demand for useful thermal energy for producers under the scope of art. 15 para. (1) from Government Emergency Ordinance no. 27/2022;

- the value of 0.00 RON/MWh of the reference bonuses for electricity produced in high-efficiency cogeneration and delivered from power plants that benefit from a support scheme for the promotion of high-efficiency cogeneration based on the demand for useful thermal energy, when operating with solid fuel, with gaseous fuel provided both from the transport network and from the distribution network, for producers under the scope of art. 15 para. (2) from Government Emergency Ordinance no. 27/2022;
- the values of the reference prices for the thermal energy produced in cogeneration and delivered from the plants that benefit from the support scheme for the promotion of high efficiency cogeneration based on the demand for useful thermal energy are approved;
- enters into force on 1 November 2022.

- **ANRE Order no. 127/2022** — Order on the approval of reference price values for thermal energy delivered in SACET from power plants with cogeneration units that do not benefit from support schemes for the promotion of high-efficiency cogeneration, applicable between November and December 2022 and the first semester of 2023
 - the reference price values for thermal energy delivered to SACET from power plants with cogeneration units that do not benefit from support schemes for the promotion of high-efficiency cogeneration, applicable in the period November-December 2022 and the first semester of 2023, are approved.
- **ANRE Order no. 129/2022** — Order for the approval of the Methodological Norms regarding the recognition in tariffs of additional costs with the purchase of electricity to cover own technological consumption compared to the costs included in the regulated tariffs.
 - by derogation from the provisions of art. 94 para. (2) from the Methodology for setting tariffs for the electricity distribution service, the average price of electricity to cover the own regulated technological consumption recognized by the National Energy Regulatory Authority is the minimum between the price achieved by the network operator and the reference price increased by 5%.
 - the quarterly capitalization of the additional costs of the purchase of electricity to cover NL is provided for compared to the costs included in the regulated tariffs, realized between 1 January 2022 and 31 August 2023, determined as the difference between the realized costs and the costs included in the approved tariffs. The amortization related to the recognized value of the capitalized costs is established by the straight-line method for a period of 5 years from the date of capitalization. The profitability corresponding to the recognized value of the capitalized costs is calculated for each year of the 5-year recovery period, similar to the method of calculating the profitability of the regulated asset base provided for in the Rate Setting Methodology, taking into account 50% of the approved rate of return of ANRE applicable during the amortization period of the respective costs. It is also provided that the assets corresponding to recognized capitalized costs are recorded in the accounting records and in the annual financial statements of the distribution operators, according to the instructions developed by the Ministry of Finance and are not included in the basis of regulated assets.
- **ANRE Order no. 130/2022** — Order amending the Order of the President of the National Energy Regulatory Authority no. 123/2017 regarding the approval of the contribution for high-efficiency cogeneration and some provisions regarding its invoicing method
 - starting from 1 November 2022, the contribution for high-efficiency cogeneration has the value of 0.00333 RON/kWh, exclusive of VAT.
- **ANRE Order no. 133/2022** — Order for the modification and completion of some orders of the president of the National Energy Regulatory Authority in the field of connecting users to the public interest electricity network.
 - the unblocking of the activity of energizing the user installations belonging to the prosumers is considered (due to the difficulties of the distribution operators regarding the purchase of electricity meters that can be integrated into the smart metering systems) and the following is amended: the Regulation on the

connection of users to the public interest electricity networks, the framework content of the technical approvals for connection, the Procedure regarding the connection to the low-voltage public interest electrical networks of the places of consumption belonging to domestic customer users, the Procedure regarding the connection to the public interest electrical networks of the places of consumption and production belonging to prosumers, Connection framework contracts.

- the Regulation on the connection of users to public interest electric networks is amended: the elimination of the provision according to which the connection facilities financed by non-domestic final customers enter the distribution operators' patrimony at the time of commissioning; completing the prosumer definition; the establishment as a document attached to the request for connection of a situation plan on which the location of the objective should be positioned, elaborated by the designer; specifying the fact that the presentation of an urban planning certificate as a document attached to the connection request is only necessary in the case of new or changing constructions; the inclusion of a clarifying provision regarding the equivalence of a new or existing place of consumption is provided with a storage facility that discharges electricity into the network, through the same connection through which electricity is consumed from the network with a place of consumption and production; the inclusion in the definition of the strengthening works of the automation equipment and the communication path provided in the installations of the network operator to achieve the operational limitation; establishing the criterion for restitution of the effective share from the expenses of financing by the developers of the public interest electricity network made for the electricity supply of apartment blocks and/or individual homes, i.e. only after the number of individual connection requests registered with the operator of concessionary distribution as a result of the sale of homes, from the future customers of the whole, users of the network, represents at least 80% of the total number of places of consumption in the whole.

2.2. Summary of financial indicators

A summary of the main financial indicators is presented below:

- In the nine months period ended 30 September 2022, net profit increased by RON 461.7 mn. as compared with the same period of 2021, reaching RON 533.7 mn. in 2022;
- In the nine months period ended 30 September 2022, EBITDA increased from RON 475,1 mn. as compared with the same period of 2021, to RON 1,104.1 mn., in both periods being positive;
- The cost of electricity purchased increased by RON 4,305.1 mn., or 125.8%, to RON 7,727.7 mn. in the nine months period ended 30 September 2022, compared to RON 3,422.6 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 increase in electricity costs for NL coverage for the distribution segment;
- In 9M 2022, the revenue from the electricity supply segment increased by RON 1,886 mn. y-o-y, or 46.4%, to RON 5,952.6 mn. (out of which RON 5,919 mn. external revenues), mainly as a result of rising selling prices; the contribution of the electricity supply segment to the Group's consolidated revenue is in proportion of 81.7%;
- In 9M 2022, the net result from the electricity supply segment increased by RON 261.7 mn. to a net profit of RON 238.7 mn. from a recorded loss in 9M 2021 of RON 23 mn.;
- Revenue from the distribution segment increased by RON 535.7 mn., or 27.8%, to RON 2,461.7 mn. (out of which RON 1,302.5 mn. external revenues), compared to 9M 2021; the contribution of the electricity distribution segment to the Group's consolidated revenue is of 18.0%;
- In 9M 2022, the net profit from the distribution segment increased by RON 188.7 mn., reaching RON 313.8 mn.;
- Operational result recorded in 9M 2022 is amounting to RON 732.2 mn., recording an increase of RON 616.7 mn. as compared with the same period of 2021, when the Group recorded an operational profit amounting to RON 115.6 mn.;
- In 9M 2022, the capital expenditure is amounting of RON 408.7 mn., recording an increase with 37.5%, compared to RON 297.2 mn. in 9M 2021, in line with the approved annual investments plans evolution and the investments plans allocation during the year;
- The Group's debt ratio increased with RON 1,851 mn. in 9M 2022, compared with the same period of the previous year, to RON 2,907 mn. due to uses of bank overdrafts for financing the current activity.

2.3. Risks and uncertainties

Risks and uncertainties present at 30 September 2022 and aspects regarding the main risks and uncertainties that could affect the Group's activity and its liquidity in the next period of 2022:

Risk description	Mitigation risk actions
<p>Ukraine Crisis</p> <ul style="list-style-type: none"> On February 24, 2022, Russia invaded Ukraine, marking a sharp escalation of the Russian-Ukrainian war that began in 2014 with Russia's annexation of the Crimea peninsula. The invasion generated on the one hand a refugee crisis with the fastest growth in Europe since the Second World War, and on the other hand a global food crisis. The Electrica Group does not own subsidiaries and affiliated entities on the territory of Ukraine, nor does it have any other relevant exposures in the countries directly involved in this conflict. From an operational point of view, the purchases of energy and natural gas are mainly made from the domestic market, availability, provenance and delivery of resources could be influenced by the dynamics of the conflict from region. 	<ul style="list-style-type: none"> The management's opinion is that these risks have already materialized on the market of natural gas, electricity and petroleum products. The upward trend and volatility recorded in the first 6 months of 2022 may generate consequences that are difficult to estimate at this time. Mitigation of the impact was possible in the supply activity through the compensation and capping measures established at the national level. In the distribution activity, the directly felt impact was visible through the price at which the electricity related to own technological consumption (NL) could be purchased.
<p>Market risk</p> <ul style="list-style-type: none"> Market risk represents the risk that the change in energy and natural gas prices, the reference interest rate, such as share prices, interest rates or exchange rates, will affect the Group's income or the value of its holdings. 	<ul style="list-style-type: none"> At the level of the supply activity there are implemented policies, procedures and tools for mitigating market risks to manage and control exposures on the electricity and natural gas market. With this scope, internal projects were started to review the hedging strategy, improving the ability to forecast the demand. There was taken into consideration the adequacy to the reality imposed by the specific markets during this period: the decrease in consumption combined with the increase in purchase prices. Another significant risk factor in this area comes from the lack of production capacities to compensate for extreme scenarios: extremely low temperatures, drought, lack of working fronts for coal, unavailability of primary resources for renewable energy (wind, sun).
<p>Credit and counterparty risk</p> <ul style="list-style-type: none"> Credit risk represents the risk of financial losses when a counterparty/client does not meet its contractual obligations to pay invoices when they are due. 	<ul style="list-style-type: none"> The management monitors and examines the current exposure, credit limits and counterparty ratings, established provisions.

	<ul style="list-style-type: none"> The current market context implies a significant pressure on the ability of counterparties in the energy market to ensure delivery on time or to pay related compensations.
Liquidity risk	<ul style="list-style-type: none"> The Group's approach to liquidity management consists in ensuring a sufficient level of liquidity for the payment of due obligations, both under normal conditions and under stress conditions, through the treasury management system through cash pooling and accessing a varied range of credit lines of the type overdraft. Also, the pre-financing of the support scheme for the segmental supply involves a liquidity risk, including the financing of the NL price that will be recovered through future tariffs. The group carefully monitors, through the treasury structures, the impact and effects on the companies' activity and financial results and has adequate resources to continue its operational activity.
Legal and regulation risk	<ul style="list-style-type: none"> The energy and natural gas markets are regulated by local and European legislation. These regulations may be modified or interpreted differently by the local authorities and may affect the operational profit margins of the Group. This risk is also supported by the legislative history of recent years, which contains a series of laws that significantly changed energy and natural gas prices, capping elements, etc. The group makes efforts to optimize operational efficiency in accordance with current and future regulations. The impact of these regulations is close to the maximum range used in the evaluation with immediate consequences in profitability at the group level
Operational risk	<ul style="list-style-type: none"> The Group may record direct or indirect losses resulting from a wide range of factors associated with processes, service providers, technology and infrastructure, and from external factors, such as regulatory or legal requirements and generally accepted standards regarding the best practices in the field. Violation or failure of security and information technology systems may entail the risk of financial loss, interruption of operations or damage to the Group's reputation. The group have implemented an operational monitoring system, documented by policies and procedures, which ensures the escalation and remediation of potential operational problems. In order to implement the best practices in the field, the Group will start, in the second semester of 2022, the certification procedures on the 27001 standard: Information Technology, Security Techniques, Information Security Management Systems.

3. Organizational Structure

3.1. Group Structure

As of 30 September 2022, the most significant shareholder of ELSA is the Romanian State, represented by the Ministry of Energy with a share of ownership of 48.79% from the share capital.

Presentation of Group subsidiaries

Subsidiary	Activity	Sole registration code	Headquarters	% shareholdings as of 30 September 2022
Distributie Energie Electrica Romania S.A. („DEER”)	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	99,99999929%
Electrica Furnizare S.A. („EFSA”)	Electricity and natural gas supply	28909028	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	Constanta	60%
New Trend Energy S.R.L.	Production of electricity	42921590	Constanta	60%
Green Energy Consultancy & Investments SRL	Production of electricity	29172101	Prahova	75%

Source: Electrica

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

As at 30 September 2022, the Company's associates are the following:

Associate	Activity	Sole registration code	Head Office	% shareholdings as of 30 September 2022
Crucea Power Park S.R.L.	Production of electricity	25242042	Constanta	30%
Foton Power Energy S.R.L.	Production of electricity	43652555	Constanta	30%

The main activities of the Group are the regulated distribution of electricity through operation and development of electricity distribution networks and the electricity supply to end consumers as well as the production of electricity from renewable sources. The Group is the electricity distribution operator and the main electricity supplier in North

Muntenia (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties), North Transylvania (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita-Nasaud counties) and South Transylvania (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties) operating with transformer stations and power lines with voltages from 0.4 kV up to 110 kV.

The distribution operator for the three regions (TN, TS and MN), invoices the electricity distribution service to electricity suppliers (mainly to EFSA subsidiary, the main electricity supplier in North Muntenia, North Transylvania and South Transylvania), which further invoices the electricity consumption to end consumers.

EFSA is a supplier of electricity in the competitive market and is also a designated supplier of last resort (SoLR) at national level. The SoLR ensure the supply of electricity to final customers who benefit, under the law, from universal service, non-household customers who have not exercised their eligibility and non-household customers taken over because the supply of electricity is not ensured from any other source.

At the same time, EFSA is designated as a supplier of last resort in the natural gas sector, but only with the possibility of taking over the customers left without a supplier.

Regarding the electricity production segment, it is represented, mainly, by the EEV1 subsidiary, which owns a photovoltaic park in Stanesti, Giurgiu county, with an installed capacity of 7.5 MW (operating capacity limited to 6.8 MW). To this were added, during 2021, four production park projects, purchased by ELSA (three photovoltaic – with an installed capacity of 163.5 MW and a wind farm with an installed capacity of 121 MW, with attached an electricity storage capacity of 60 MWh).

Also, in 2021, EPE was established, the company's activity is the production of electricity from renewable sources through the acquisition and development of projects, respectively the operation of electricity generation parks from renewable sources, cumulated with the development and operation of independent solutions storage that he intends to develop in the near future.

During 2022, the Group also acquired a project regarding the development of a photovoltaic plant with an installed capacity of 12 MWh.

The establishment of the new subsidiary, EPE, together with the investments in the five associates are part of the Electrica Group's strategy, which aims to develop a portfolio of electricity generation capacities from renewable sources (wind and photovoltaic) with a cumulative capacity of 412 MW, in parallel with electricity storage capacity with an installed capacity of up to 100 MW.

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

During the meeting held on the 15 April 2022, ELSA Board of Directors approved the revised Group Strategy for the period 2019-2023. This can be consulted on the Electrica website, section *Investors-> Strategy elements* and on the link below:

<https://www.electrica.ro/en/investors/strategy-overview/key-elements-of-the-2019-2023-electrica-group-strategy/>

Updating Electrica Group's Strategy enhances the benefits obtained through the transformation processes carried out within the distribution and supply companies and addresses the opportunities in order to prepare the Group for a sustainable growth.

The revised version of the Strategy focuses on the:

- agile and digital transformation of the business
- business development in complementary areas.

A better use and allocation of resources throughout the Group, the improvement of the operational performance and the integration of the customer orientation mentality, the expansion on the value chain to minimize risks and obtain additional revenues, as well as the optimization of the business model are the key elements to ensure a balance between the proposed value for the clients and the maximization of the profit for the shareholders.

Moreover, the Group vision was also updated: *Integrated leader in the energy sector, significant contributor in the sustainable energy transition process for the benefit of our customers, environment and communities.*

The Group aims to optimize the contribution of each company to the financial objectives of the group, through a homogeneous and efficient system for risk management. In this sense, a unitary implementation of the strategy will be ensured, with coordinated strategic projects, focused on achieving the new defined objectives.

Governance and investor relations remain the focus of the Group, with continuous improvement and implementation of best practices in corporate governance and investor relations.

The revised key Group objectives are:

- Market value growth
- Business development in complementary areas
- Performance maximization of the managed networks
- Integrated leader in the energy services and solutions market
- Agile and digital transformation of the business

At the same time, the improvement of the corporate governance framework continues, with a close follow-up to the Corporate Governance Action Plan established with the EBRD since 2014.

In the distribution segment, the main directions are the business optimization in regulatory period 4 (RP4) and preparation for regulatory period 5 (RP%), as well as the cost structure optimization.

In the supply segment, the focus is on a faster adaptation of our strategic positioning relative to changing market conditions and servicing our customer portfolio with value added energy propositions.

In the energy services segment, we target the capitalization on Group synergies and the accelerated development of the "Green Energy" business line - generation projects from RES.

In the electricity generation segment, the Group aims to develop a portfolio of electricity generation capacities from renewable sources (wind and photovoltaic) with a cumulative capacity of 412 MW, in parallel with electricity storage capacities with a installed capacity of up to 100 MW.

3.3. Key information by segments

SUPPLY SEGMENT

Market data (according to ANRE Report for June 2022)

- The supply market consists of competitive and universal segments (US) and last resort service segment (LRS);
- The universal and last resort service segment include six nationally designated providers of last resort;
- The competitive segment includes 91 suppliers (including those of last resort with activity on the competitive segment of the retail market), of which 83 are relatively small (<4% market share).

In June 2022, EFSA is the market leader with a share of 17.08%; is also the leader on the SoLR market, with a market share of 29.26%, on the competitive market with a share of 12.86% (according to ANRE report for June 2022). In comparison, in 2021, EFSA had a market share in the total electricity market of 18.42%; SoLR market share of 30.59% and a competitive market share of 12.72% (ANRE report for December 2021).

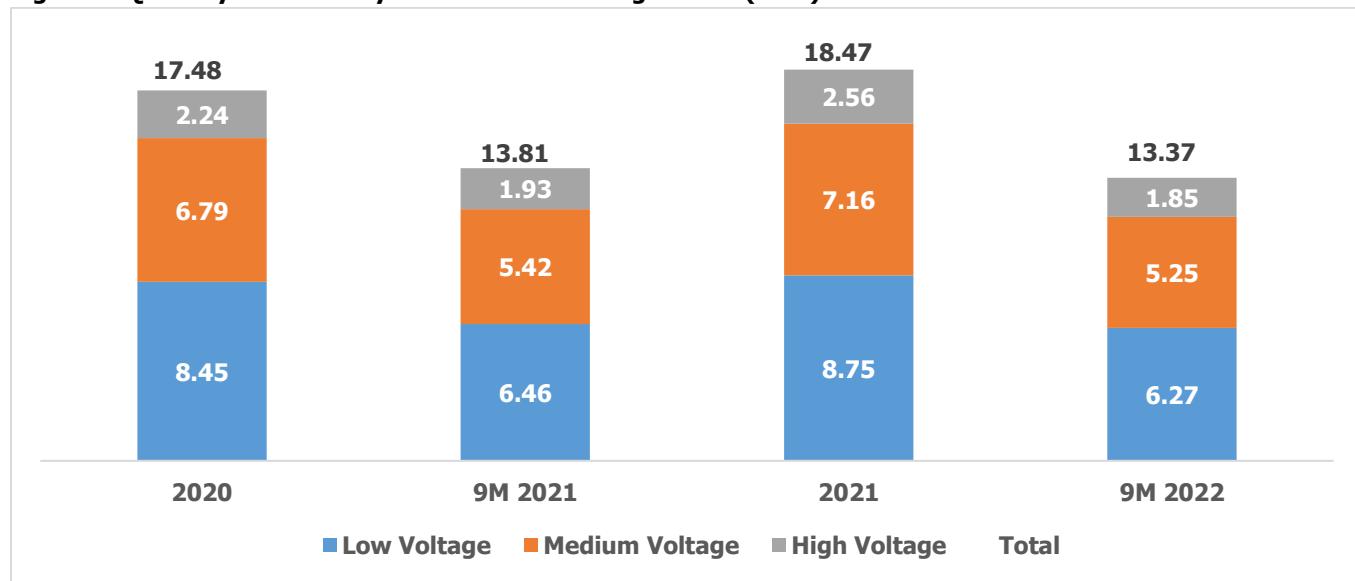
As of 30 September 2022, the Group supplied 6.4 TWh of electricity to approx. 3.5 mn consumption places (both in last resort and universal service regime and on the competitive market), representing a decrease of 8% y-o-y.

DISTRIBUTION SEGMENT

Information for the period ended 30 September 2022

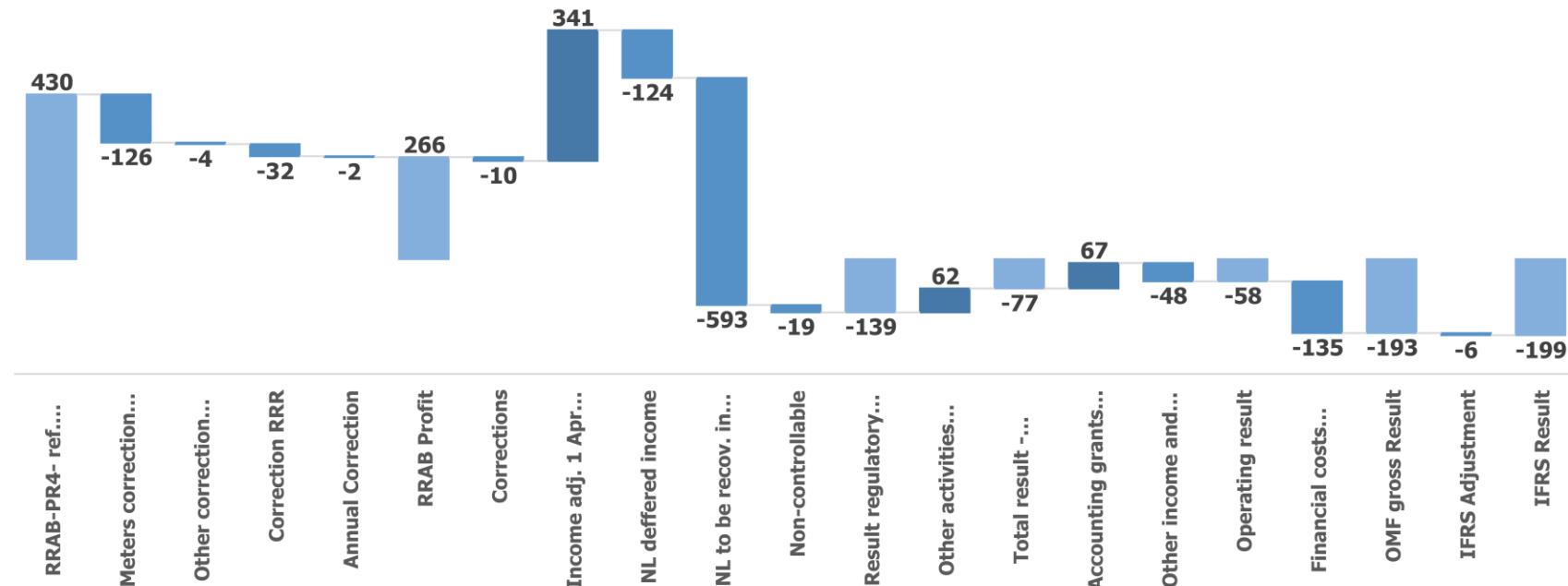
- The estimated Regulated Assets Base (RAB) at the end of the first 9 months of the year 2022 was RON 6 bn.
- 201.082 km of electric lines – 7,601 km for High Voltage ("HV"), 46.463 km for Medium Voltage ("MV") and 147.019 km for Low Voltage ("LV")
- Total area covered: 97.196 km², 40.7% of Romania's territory
- 3.8 mn users for the distribution activity
- 13.367 TWh of electricity distributed in the first 9 months of the year 2022, a decrease of 3.2% as compared to the first 9 months of the year 2021.

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



Source: Electrica

Figure 2: Analysis of RRAB-OMF result distribution segment to 2022 (RON mn.)



Source: Electrica

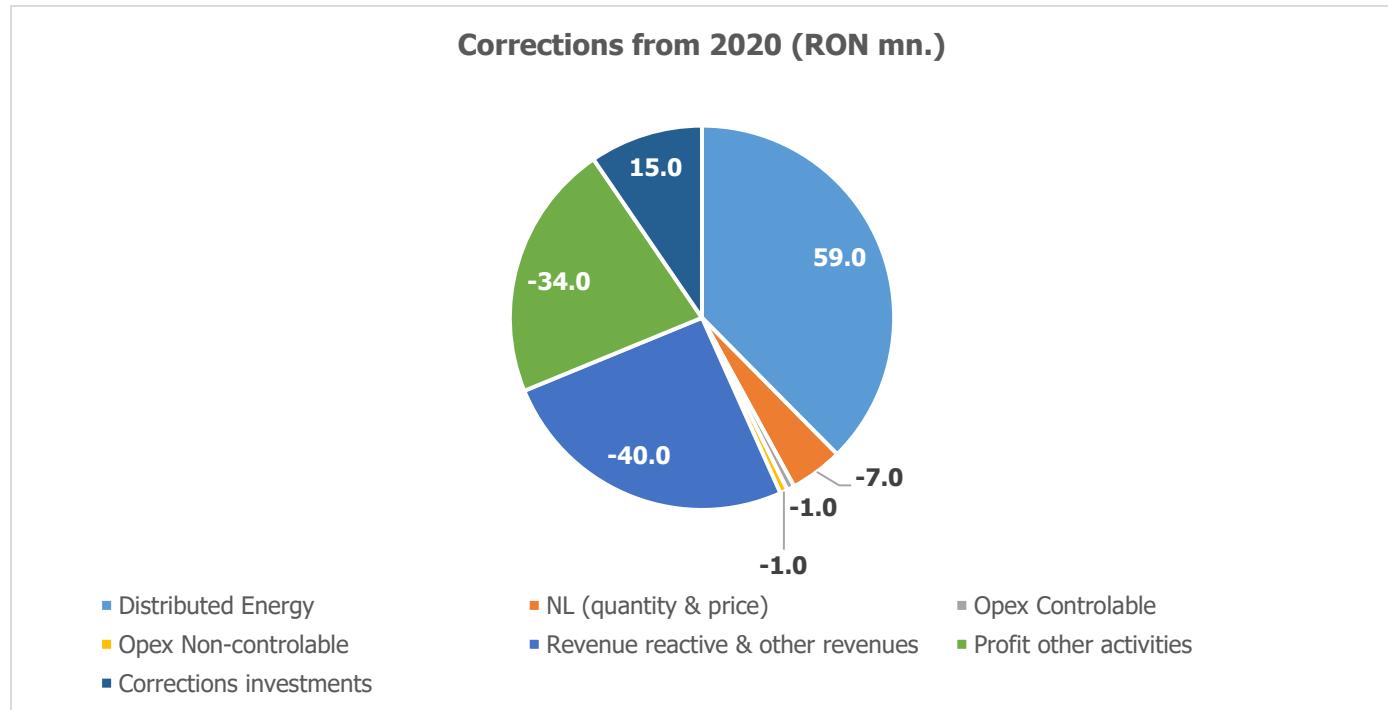
*The corrections for 2021 have not yet been approved by ANRE, they will be reflected in the 2023 tariffs

Relevant regulatory issues:

At the beginning of the current RP4 regulatory period, ANRE made a total negative correction of closing the RP3 in the amount of RON (730) mn. (nominal terms), respectively RON (665) mn. (terms 2018), of which RON (341) mn. for meters recognized as investments in RP2 (2008-2013). The meter correction was challenged in court by the distribution subsidiary 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. Total negative correction afferent to RP3 in the amount of RON (730) mn. (nominal terms) decreased the regulated profitability related to RP4, with an average annual value of RON (146) mn.

Also, for 2022 in the distribution tariff was not included the amount of RON 124 mn. from the limitations imposed by the methodology related to the maximum annual increase limit of the tariff and also related to the acquisition price of the ex-ante energy for 2022 for the Network Losses.

The corrections approved by ANRE for the year 2020 that affect the tariffs for the year 2022 are negative in the amount of RON 10 mn. and are presented by components below:



The details of the corrections related to the year 2021 that will be reflected in the tariffs of the year 2023, will be presented after they are approved by ANRE.

4. Shareholders' Structure

Until July 2014, the Romanian State, through its representative (currently, the Ministry of Energy), 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 Depository Receipts are listed on the London Stock Exchange (LSE – ticker ELSA).

After the secondary public offer that 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, the ownership structure according to the Central Depository records (Romanian: Depozitarul Central) as of **30 September 2022**, is the following:

Shareholder	Number of shares held	Stake held (% of the share capital)	Shares with voting right	Percent of shares with voting right
Romanian State through the Ministry of Energy	169,046,299	48.7948%	169,046,299	49.7850%
The European Bank for Reconstruction and Development	17,355,272	5.0096%	17,355,272	5.1112%
Electrica (no voting rights)	6,890,593	1.9890%	0	0.0000%
Bank of New York Mellon – GDRs	2,494.016	0,7199%	2,494,016	0,7345%
Other legal persons	131.397.057	37,9274%	131,397,057	38,6971%
Individual persons	19.260.360	5,5595%	19,260,360	5,6723%
TOTAL	346,443,597	100.0000%	339,553,004	100.0000%

Source: Central Depository, Electrica

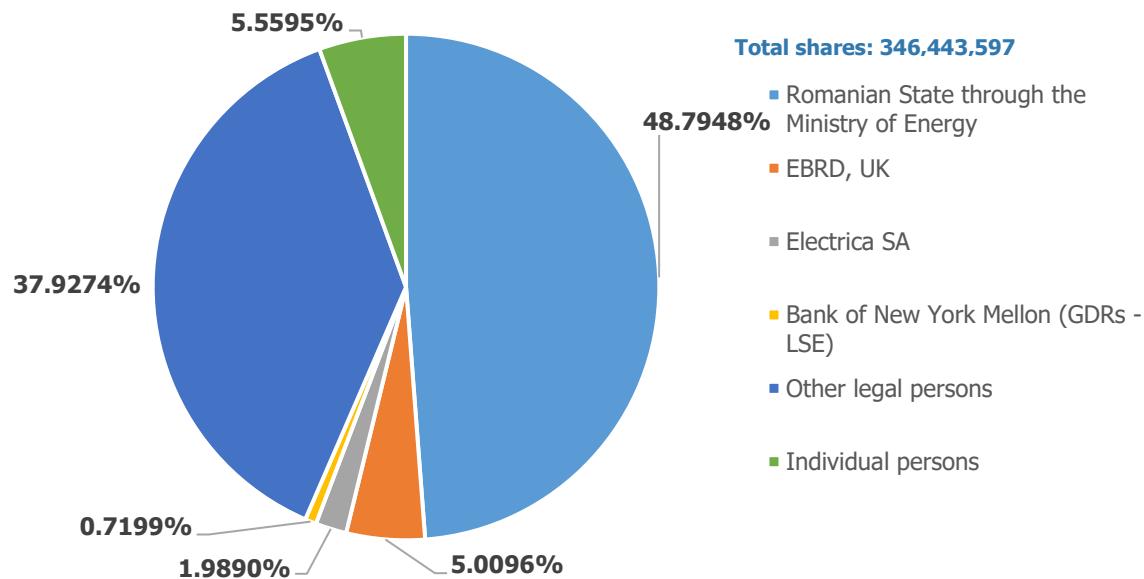
Note 1: The total shares with voting rights - 339,553,004, representing the total number of shares (346,443,597) without the number of own shares held by Electrica (6,890,593), for which the voting right is suspended

Note 2: Paval Holding, NN Group NV and Allianz SE own, directly or indirectly, between 5% and 10% of the total number of shares with voting right

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 30 September 2022, with suspended voting rights, which does not entitle ELSA the right to receive dividends.

Figure 3: Shareholders' Structure as of 30 September 2022



Source: Electrica

5. Operational Results

Selected financial information from the condensed consolidated statement of profit or loss – in RON mn.:

Indicator	30 September 2022 (unaudited and not reviewed)	30 September 2021 (unaudited and not reviewed)	Variation (%)
Revenues	7,244.8	5,017.5	44.4%
Other income	2,196.8	142.9	1,437.1%
Income from the production of intangible assets	779.8	-	-
Electricity and natural gas purchased	(7,727.7)	(3,422.6)	125.8%
Construction costs related to concession agreements	(380.3)	(279.4)	36.1%
Employee benefits	(589.6)	(596.9)	-1.2%
Repairs, maintenance and materials	(62.0)	(66.1)	-6.2%
Depreciation and amortization	(371.4)	(361.3)	2.8%
Impairment for trade and other receivables, net	(97.4)	(72.6)	34.1%
Other operating expenses	(260.7)	(245.7)	6.1%
Operating profit	732.3	115.6	533.2%
Finance income	6.5	2.5	160.4%
Finance costs	(109.7)	(19.8)	454.9%
Net finance cost	(103.3)	(17.3)	497.4%
Share of the result of the associates	0	-	-
Profit before tax	629.0	98.4	539.4%
Income tax expense	(95.2)	(26.3)	261.6%
Net profit	533.7	72.0	640.8%

Source: Electrica

Key financial indicators for the period ended 30 September 2022:

- **Revenues: RON 7.2 bn.**, a 44.4% increase as compared with 9M 2021;
- **EBITDA: RON 1,104.1 mn.**, an increase of RON 629.0 mn. compared to same period of last year;
- **EBIT: RON 732.3 mn.**, an increase of RON 616.7 mn. compared to 9M 2021 ;
- **EBT: RON 629.0 mn.**, an increase of RON 530.6 mn. compared with 9M 2021;
- **Net profit: RON 533.7 mn.**, an increase of RON 461.7 mn. compared to 9M 2021.

Revenues and other income

Electrica's revenues and other income for the nine months period ended 30 September 2022 and 30 September 2021 amounted to RON 10,221.5 mn. and RON 5,160.4 mn., respectively, representing an increase of approximately RON 5,061.1 mn., or 98.1%.

The variation is generated mainly by the revenues' evolution, but also the other operating income evolution.

Other operating income registered for 9M 2022 compared to 9M 2021, an increase of RON 2,053.9 mn. amounted to RON 2,196.8 mn. as a result of recording, on the supply segment, of subsidies in the amount of RON 2,062.8 mn. (values to be recovered as a result of the application of the electricity price cap) recognized by the supply branch (EFSA); these subsidies are recoverable from the Ministry of Energy, as a result of the application of the electricity and natural gas price ceiling mechanism approved by GEO no. 118/2021, approved with changes and additions by Law no. 259/2021, amended by GEO 27/2022, the latter being changed and amended by GEO 119/2022.

On 18 March 2022, it was issued GEO no. 27 related to the application, between 1 April 2022 – 31 March 2023, for new capping schemes for electricity and natural gas as well as the regularization with the new calculation schemes for the period 1 November 2021 – 31 March 2022. The Ordinance also provides the method for implementing these schemes and the settlement mechanism of the amounts granted as support to customers and their recoverability from the State budget including the regularization of the amounts to be recovered based on the new schemes for the period 1 November 2021 up to 31 March 2022.

It should be mentioned that due to the increase in energy price on the international and national markets and the impact thereof on Romanian consumers, starting with 1 November 2021 up to 31 March 2022, support schemes were implemented as approved by GEO no. 118/2021, followed by Law no. 259/2021 and amended by Order no. 130/2021, Order no. 2/2022, and Order no. 3/2022. The following support mechanisms have been put in place: compensation of household consumers for part of the electricity invoices, exemption (until 31 January 2022) of several types of non-household consumers from payment of regulated tariffs and other taxes/contributions, capping the selling price for household and non-household consumers (until 31 January for certain types of non-household consumers, as of 1 February 2022 for all non-household consumers), suspending the invoice payment for vulnerable consumers.

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. The amounts should be recovered in 30 days after submitting the required documentation to the National Agency for Payments and Social Inspection or Ministry of Energy.

Income from the production of intangible assets

On the distribution segment of the capitalization of additional costs with the purchase of electricity in the amount of RON 779.8 mn. (between the purchase price of electricity for own technological consumption versus the ex-ante purchase price recognized by ANRE in the related regulated tariffs 2022), made between 1 January 2022 and 30 September 2022, in order to cover own technological consumption (NL).

The capitalization of the additional cost with the purchase of electricity made in 2022 in order to cover NL compared to the costs included in the approved tariffs for 2022 is provided by GEO 119/2022, for the modification and completion of GEO no. 27/2022, and ANRE Order no. 129/2022 approving the Methodological Norms regarding the recognition in tariffs of additional costs with the purchase of electricity to cover own technological consumption compared to the costs included in the regulated tariffs published in MO 1019/19.10.2022.

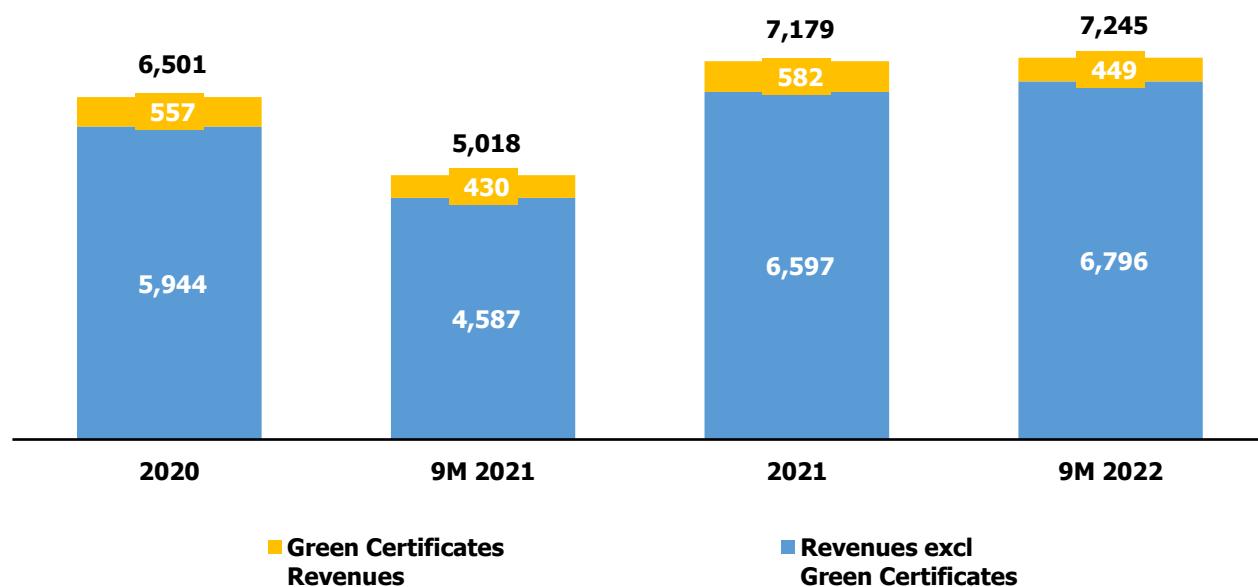
The capitalized costs are amortized over a period of 5 years from the date of capitalization and are remunerated with 50% of the regulated rate of return (RRR) approved by ANRE, applicable during the amortization period of those costs. These are recognized as a distinct component in the regulated tariffs, called the component related to additional costs with NL.

Also, from the point of view of the financial treatment applicable to the difference from NL, it was published in MOF no. 1023 of 20 October 2022 OMFP no. 3900/19 October 2022, which brings accounting clarifications to the accounting regulations in force, supplementing OMFP 1802/2014 as well as OMFP 2844/2016, thus the difference

from NL will be reflected by the capitalization of some (intangible) assets in the form of intangible assets, in correspondence with other incomes (incomes from the production of intangible assets).

Revenues

Figure 4: Revenue for 9M 2022 and comparative information (RON mn.)



Source: Electrica

The revenues increased by RON 2,227.3 mn., or 44.4%, being the net effect of the following main factors:

- increase of RON 1,886.0 mn. on the supply segment;
- internal revenue (from the Group): the Group's revenues increased by RON 215.8 mn.;
- RON 535.7 mn. increase of the distribution segment's revenues.

During the nine months period ended 30 September 2022, revenues from the electricity distribution segment increased by approx. RON 535.7 mn., or 27.8%, to RON 2,461.7 mn., from RON 1,925.9 mn. in the same period of the previous year, as a result of the following factors:

- favorable impact of approx. RON 431.7 mn., mainly from the rise in the distribution tariffs, of 2022 by an average of 8.6%, compared to 2021, and starting with 01 April the average distribution tariffs increased compared with Q1 2022 by 20.3% - positive effect reduced by the decrease in the volumes of electricity distributed by approx. 3.2%;
- 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 9M 2022 by RON 104.0 mn., compared to the same period last year.

As a result of GEO 27/2022, the distribution tariffs for the year 2022 increased starting on 1 April 2022, to cover the additional costs related to the NL from the year 2021 estimated at a value of RON 363 mn. Thus, starting with Q2 2022, distribution tariffs are higher by about 28% on average per DEER compared to 2021, in real terms, implicitly the revenues from electricity distribution are higher, thus covering the difference between the price recognized in the tariffs of 2021 and the one realized in 2021 with a favorable impact on the operational

performance for the distribution segment. The tariffs applicable starting from 1 April 2022 will not change until 1 April 2023, thus the difference between the recognized price for the year 2022 approx. RON 450 per MWh (of which approx. RON 50 per MWh is deferred income) and the actual purchase price for each MWh represents a cash flow deficit in 2022.

Also, at the beginning of the current RP4 regulatory period, ANRE made a total negative correction for the closing of RP3 in the amount of RON (730) mn. (nominal terms), respectively RON (665) mn. (2018 terms), of which RON (341) mn. for meters recognized as investments in RP2 (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 RP3 decreased the regulated profitability related to RP4, with an average annual value of RON (146) mn.

Regarding the supply segment, the revenue from the electricity supply and natural gas increased by RON 1,886.0 mn., or 46.4%, to RON 5,952.6 mn., from RON 4,066.6 mn. in 9M 2021.

The variation of the supply segment revenue is mainly driven by the net effect between the 54% retail sale price increase in the retail market and the 9% fall in the volumes of electricity supplied on the retail market.

The green certificates value included in final consumer invoice, set by ANRE, increased from RON 64.1/MWh in first nine months of 2021 to RON 72.54/MWh in the same period of 2022.

Electricity purchased

In 9M 2022, the expense for electricity purchased increased by RON 4,305.1 mn., or 125.8%, to RON 7,727.7 mn., from RON 3,422.6 mn. in the comparative period.

This variation is mainly generated by the increase of electricity costs on the supply segment, but also by the increase in electricity costs for NL coverage.

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

Nine months period ending 30 September (RON mn.)	2022	2021	%
Electricity purchased to cover network losses	1,493.0	531.3	181.0%
Electricity purchased for supply	5,567.4	2,256.6	146.7%
Transmission and system services related to supply activity	218.3	204.3	6.8%
Green Certificates	449.0	430.4	4.3%
Total electricity purchased	7,727.7	3,422.6	125.8%

Source: Electrica

The cost of the electricity purchased for supply (including transmission and system services) increased by RON 3,324.8 mn., or 135.1%, to RON 5,785.7 mn. in 9M 2022, from RON 2,460.9 mn. recorded in 9M 2021.

The main cause of this evolution is represented by the increase of the prices on the electricity market and the limitation of the transfer to the final customer of these price increases. Thus, the prices on the spot market (Next Day Market) in Romania increased in first nine months of 2022 by approximately 359%, compared to the same period in 2021.

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 2022**, the cost of GC acquisition increased by RON 7,165 mn. (increase from RON 144,657 mn. to RON 151,823 mn.), respectively an increase of 4.95% compared to the same period of 2021.

This variation was determined by the ANRE regulations regarding:

- the increase of the purchase price of the green certificates by 1.72%, from 142.2107 RON/GC in 2021, to 144.6598 RON/GC in 2022;
- the increase of the quota estimated by ANRE for the acquisition of GC of 11.31%, from 0.4505 GC/MWh in 2021, to 0.5014313 GC/MWh in 2022;

and

- the decrease of invoiced energy received from SSF-DO by 7.18%, utilized at Q1 2022 level (energy invoiced in Q1 2021 was 2,258,320.844 MWh, while the energy invoiced in Q1 2022 was 2,096,279.108 MWh).

In order to fulfill the legal obligations for the acquisition of green certificates (GC) and considering the observance of the Internal Procurement Procedure, in the **second quarter of 2022**, the cost of GC acquisition increased by RON 207.875 th. (increase from RON 143,982 mn. to RON 144,190 mn.), respectively an increase of 0.14% compared to the same period of 2021.

This variation was determined by the ANRE regulations regarding:

- the increase of the purchase price of the green certificates by 1.72%, from 142.2107 RON/GC in 2021, to 144.6598 RON/GC in 2022;
- the increase of the quota estimated by ANRE for the acquisition of GC of 11.31%, from 0.4505 GC/MWh in 2021, to 0.5014313 GC/MWh in 2022;

and

- the decrease of invoiced energy received from SSF-DO by 11.55%, utilized at Q2 2022 level (energy invoiced in Q2 2021 was 2,247,411.582 MWh, while the energy invoiced in Q2 2022 was 1,792,055.919 MWh).

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 **third quarter of 2022**, the cost of GC acquisition decreased by RON 3.208 th. (decrease from RON 145,150 mn. to RON 141,942 mn.), respectively a decrease of 2.21% compared to the same period of 2021.

This variation was determined mainly by:

- the decrease by 13.63% of the invoiced electricity received from SSF-DO, used at the rate of quarter III 2022 (electricity invoiced quarter III 2021 was 2,265,638,338 MWh, while the electricity billed in quarter III 2022 was 1,956,836,093 MWh)

combined with ANRE regulations regarding:

- the increase in the purchase price of green certificates by 1.72%, from 142.2107 RON/CV in 2021, to 144.6598 RON/CV in 2022;
- the increase of the quota estimated by ANRE for the purchase of CV of 11.31%, from 0.4505 CV/MWh in 2021, to 0.5014313 CV/MWh in 2022.

Regarding the distribution segment, in the nine months period ended 30 September 2022, the cost of the electricity purchased to cover network losses increased by RON 961.6 mn., or 181.0%, to RON 1,492.9 mn., from RON 531 mn., the evolution being generated both by a significant increase in the electricity purchase prices and lower volume of electricity needed to cover network losses.

The Electricity Distribution Operators were directly affected by this significant price increase, being obliged, according to ANRE Order no. 73/2014, to purchase the electricity necessary to cover their own technological consumption (NL), in order to comply with the general conditions associated with the distribution license on the wholesale electricity market, in accordance with the Law on electricity and natural gas no. 123/2012 with subsequent amendments and completions (Art. 45).

For 9M 2022, for the Group's electricity distribution subsidiary, the average electricity purchase price for NL was with 147% higher than the value recognized by ANRE ex-ante in tariffs, generating additional costs of RON 823 mn.

Construction costs for electrical networks

In nine months period ended on 30 September 2022, the expenses with the construction of the electrical networks in connection with the concession contracts increased by RON 100.9 mn., or 36.1% to RON 380.4 mn., from RON 279.4 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. The variation comes from the gap regarding the dynamics of expenses incurred for works arising from legal obligations (mainly connection) which are additional to the PIF plan approved by ANRE.

Employee benefits

The expenses for salaries and employee benefits decreased by RON 7.3 mn., or 1.2% to RON 589.6 mn. at 30 September 2022, from RON 596.9 mn..

Repairs, maintenance and materials

In nine months period ended on 30 September 2022, the expenses with repairs, maintenance and materials recorded a decrease of RON 4.1 mn., or 6.2% to RON 62.0 mn. in 9M 2022 from RON 66.1 mn. compared with the same period of the previous year.

Other operating expenses

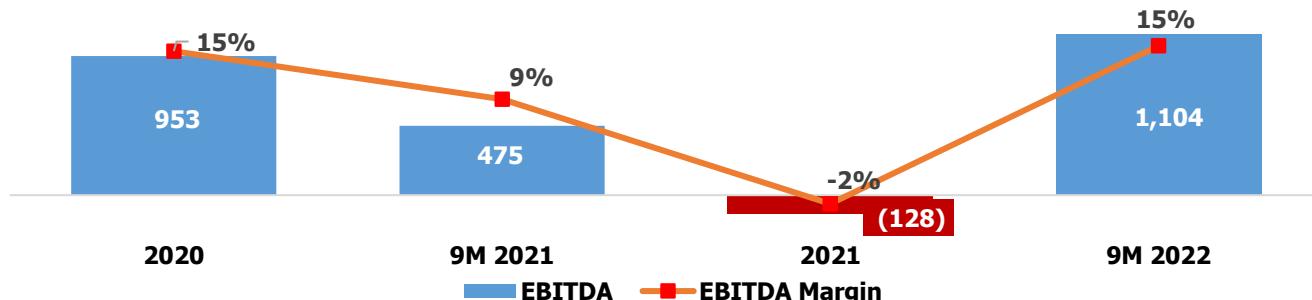
In the first nine months of 2022, the other operating expenses increased by RON 15.0 mn., or 6.1%, to RON 260.7 mn., from RON 245.7 mn. in the same period of 2021, mainly from:

- the favorable effect of the net change in provisions, of approx. RON 19.2 mn., the highest impact coming from a provision recognized in 2021 for the supply subsidiary obligations, representing compensations derived from the application of the Performance Standard for the electricity supply activity following the complete market liberalization process started 1 January 2021.

- higher operating expenses by RON 31.8 mn., especially in the distribution segment. The main impact coming from the increase in utility costs, with approx. RON 14.3 mn. in 9M 2022 and from the increase of consumable expenses with approx. RON 16.2 mn. compared to the same period of the previous year.

EBITDA and EBITDA margin

Figure 5: EBITDA and EBITDA margin for 9M 2022 and comparative information (RON mn. and %)

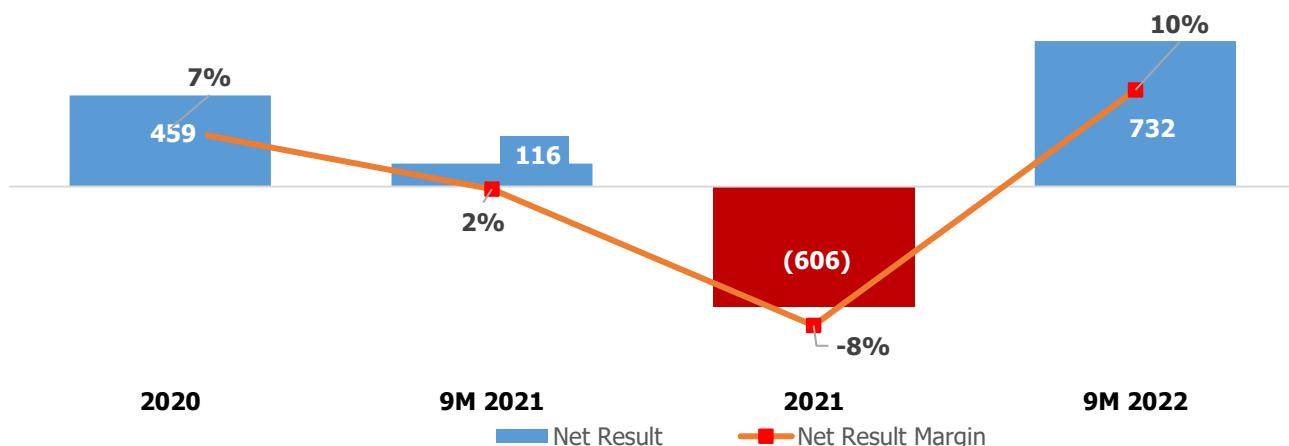


Source: Electrica

Operating result

The Group operating result (EBIT) increased by approx. RON 616.7 mn. y-o-y, the EBITDA evolution being alleviated by the increase of the depreciation expense by RON 10.1 mn., or 2.8%.

Figure 6: EBIT and EBIT margin for 9M 2022 and comparative information (RON mn. and %)



Source: Electrica

Net finance cost

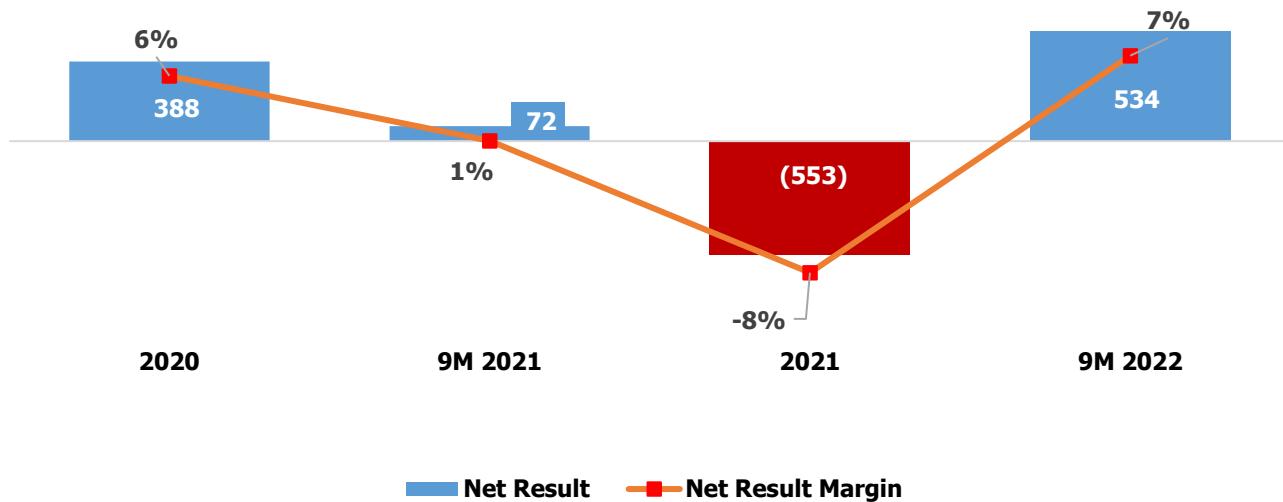
The net finance cost at group level increased by RON 85.9 mn. in first nine months of 2022 compared to the similar period in 2021, mainly as a result of the decrease in finance income and the increase of finance expenses of RON 89.9 mn. related to loans for pre-financing the support scheme for electricity and natural gas consumers established by GEO no. 118/2021, approved with amendments and completions by Law no. 259/2021 and amended by GEO

27/2022, the last one being modified and amended by GEO 119/2022, as well as the difference between the energy price for the realized NLand the ex-ante price established by ANRE until the recovery through tariffs.

Net profit for the period

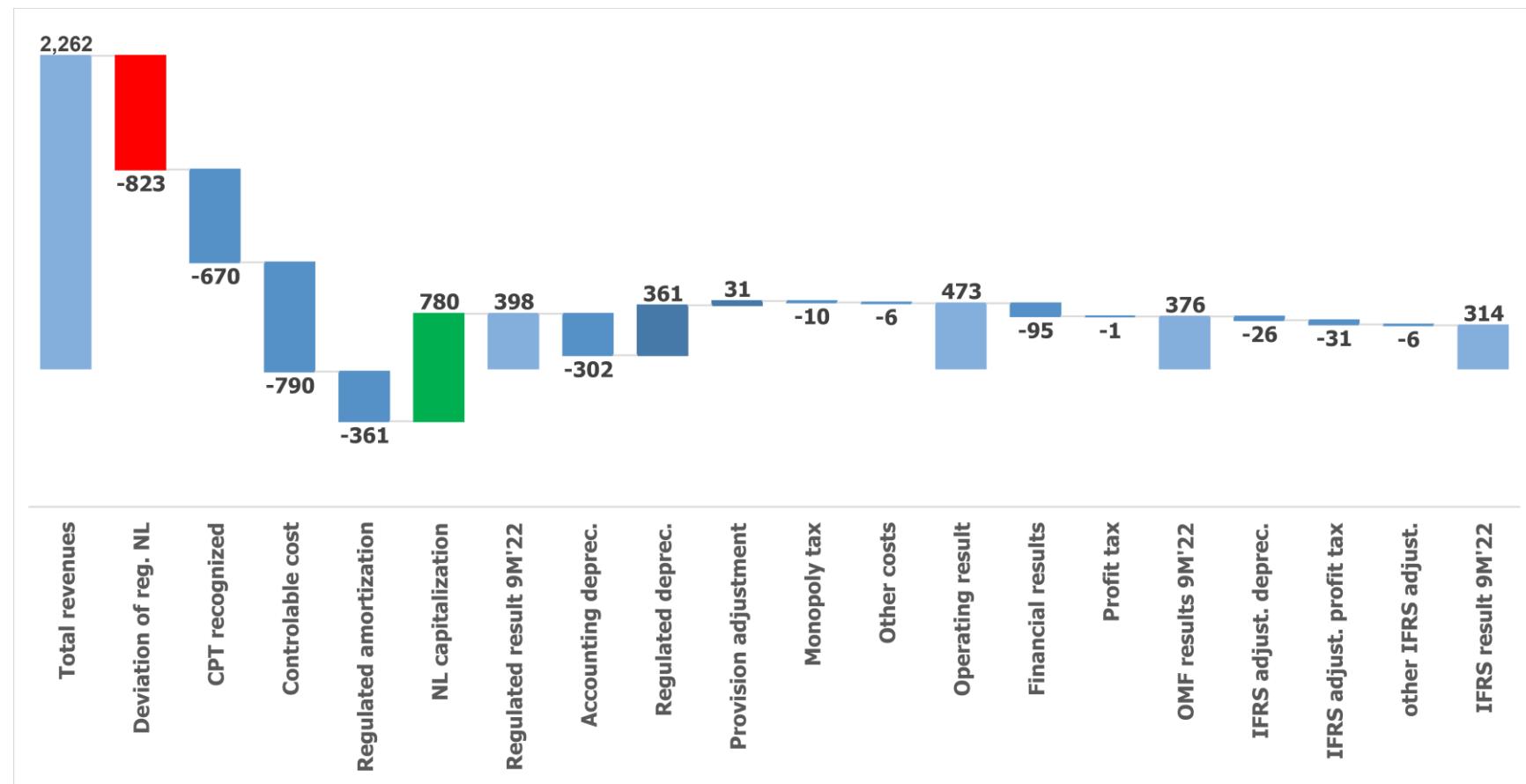
As a result of the above described factors, in the nine months period ended 30 September 2022, the net profit increased by RON 461.7 mn., to RON 533.7 mn., from RON 72.0 mn. as compared with the previous similar period.

Figure 7: Net result and Net result margin for 9M 2022 and comparative information (RON mn. and %)



Source: Electrica

Figure 8: Analysis of net regulated result – net OMFP 1802/2014 result – net OMFP 2844/2016 result - for distribution segment 9M 2022 (RON mn.)



Source: Electrica

The positive regulated result of RON 398 mn. includes the effect of the capitalisation of the negative deviation of the NL cost – in actual terms this was of RON 823 mn., determined for the amount of NL realized in the first nine months of 2022 of 1,430 GWh, and the price difference of 576 RON/MWh (result as the difference between the average purchase price achieved, of 968 RON/MWh, and 392 RON/MWh, price actually recognized in tariffs by ANRE motivated by the limitations of tariff increases. The additional cost with NL compared to the cost recognized in capitalized tariffs for the first nine months, in the amount of RON 780 mn., was determined using forecasted and unrealized quantities for the first 9 months, according to the provisions of ANRE Order no. 129/2022.

6. Outlook

In 2022 and in the following period the energy sector is affected by the conflict situation in Ukraine, which has a significant impact on the gas flows and electricity production across Europe. Energy prices surged, including in Romania, to levels that burden both the population and business environment. Under these circumstances, Governments are pressured to implement measures to compensate the price differences and to prepare for the winter season.

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

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 9 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;
- In the electricity distribution area, the regulatory trend is to provide remuneration to the distribution operator considering both the quality of the service, as well as the operational costs and efficiency based on comparative analysis between DSOs. An element that affects and will continue to significantly affect the profitability of distribution companies is the increase in the purchase price of NL, a situation which was partially regulated by the entry into force of: (i) Government Emergency Ordinance no. 118/2021 regarding the establishment of a compensation scheme for the consumption of electricity and natural gas for the cold season 2021-2022, (ii) Government Emergency Ordinance no. 27/2022 on the measures applicable to final customers in the

electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as for the modification and completion of some normative acts in the energy field, (iii) EMERGENCY ORDINANCE no. 119/2022 for the amendment and completion of GEO no. 27/2022 regarding the measures applicable to end customers in the electricity and natural gas market in the period 1 April 2022 — 31 March 2023, as well as for the modification and completion of some normative acts in the field of energy, ANRE approved by ANRE Order no. 129/2022 Methodological norms for the recognition in tariffs of additional costs with the purchase of electricity to cover own technological consumption compared to the costs included in the regulated tariffs;

- Regulation (EU) 2022/1854, regarding an emergency intervention to address the problem of high energy prices, provides for a maximum threshold of 180 Euro/MWh for solar, nuclear, hydro, wind and lignite production, incomes above this threshold will be collected by the state;
- Electricity distributed generation technologies will determine the distribution operators to adapt their processes and strategies regarding the upgrade and development of the network and to offer solutions to the independent producers, considering the appearance of prosumers, which are active participants in the energy market; in this context, significant investments are necessary in order to improve both the transmission and the distribution infrastructure. The recent high price for electricity will increase the interest of consumers to independently produce some of the energy consumed, which is an acceleration of trends in this regard. Significantly reducing the costs of photovoltaic technologies is a development opportunity for smaller scale generation projects, especially in the home area;
- On the long term, full electric vehicles, light commercial vehicles and electrification of railways are expected to increase the consumption of electricity in the transportation sector.
- Future development of technologies will support energy efficiency policies such as:
 - Development of transmission and distribution networks, including smart grid and smart metering;
 - End-use energy efficiency (thermal integrity of buildings, lighting, electric appliances, motor drives, heat pumps etc.);
- The smart metering implementation will offer complex tariffs options to the consumers, detailed information regarding the consumption profile, which might lead to increased flexibility and demand reduction during peak periods. Thus, the consumers shall be better informed and involved in decision-making process, as active participants. The smart metering implementation pace depends on the implementation calendar adopted at national level;
- The development of the transmission and distribution infrastructure and long-distance interconnection will become a necessity. The electricity market target model, which implies the development of Europe's internal electricity market, will continue to evolve and be in line with future trends and challenges in the energy industry.

The key drivers of changes in the electricity market are presented in the following table:

Key drivers	Description	Impact on
GDP evolution and industry structure	<p>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.</p> <p>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.</p>	GDP evolution and industry structure
Demographic	In contrast with the demographic decline recorded at EU and Romanian level, the electricity	Electricity

ELECTRICA S.A. – 2022 THIRD QUARTER CONSOLIDATED REPORT

Key drivers	Description	Impact on
evolution and technology development	<p>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.</p>	consumption
	<p>Approved schemes to support customers in the payment of electricity / gas bills, with initial application between 1 November 2021 – 31 March 2022, which granted price caps, compensation for household customers and exemptions for SMEs, subsequently extended for the period 1 April 2022 - 31 March 2023, 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.</p> <p>As of 2022, only household customers shall have the right to universal service. Therefore, new competitive contracts must be signed with non-household customers which previously benefitted from universal service, if not, these customers may be switched to a supplier of last resort.</p> <p>The new <i>Performance Standard for electricity/gas supply</i> shall be enforced in 2022, 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</p>	
Changes in regulatory framework of customers in case of breach of quality standards.		Electricity prices
	<p>Starting with 1 May 2022, the new rules for the sale of electricity produced by prosumers enter into force, respectively quantitative compensation for customers with installed power up to 200 kW and financial compensation for customers with installed power between 200 and 400 kW, which will generate a new demand flow for this customer segment.</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). The methodological norms approved by ANRE in October 2022 allow the capitalization of the additional cost with NL compared to the price recognized in the tariffs.</p> <p>The energy law was amended in the period 2020-2021, so that: in 2021 OD financed the works for connecting domestic and non-domestic customers with lengths of less than 2.5 km, and starting with 2022, the free for non-domestic customers was eliminated. households, and for households the obligation to finance by OD only a connection in average value established by ANRE was maintained.</p>	
The evolution of the electricity price in the market	<p>The transactions concluded on the centralized platforms exceeded the threshold of 2,500 RON/MWh for the AN product and 4,000 EON/MWh for the short-term products related to the winter period, and on the DAM the weighted average price doubled compared to the beginning of 2022. The distribution operators purchase energy for NL at a price four times higher than the ex-ante approved price in the distribution tariffs. OD and OTS can purchase energy for individual or aggregate NL, directly or through dedicated platforms in the organized market, from the producers in the Romanian state's portfolio.</p>	Electricity prices
Technological development	<p>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.</p>	Electricity prices and consumption
Increase in environmental awareness	<p>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.</p>	Electricity prices and consumption, regulatory framework

Source: Electrica

The regulatory framework perspective and the impact on the energy market

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

- Enforcement of GEO no. 143/2021 amending the Electricity and Gas Law no. 123/2012, which transposes into national legislation *Directive (EU) 944/2019 on common rules for the internal market for electricity* and brings new rights and obligations for the suppliers of electricity concerning *inter alia*: obligation to supply universal service (US) to household customers only; removal of the obligation to set up physical customer care centers for US customers at max. 50 km; obligation to issue settlement bills for household customers once every 3 months at the least; right to conclude directly negotiated bilateral transactions on the wholesale markets for any period of time; obligation to procure the electricity needed to cover customers' consumptions, whose breach shall be sanctioned with a fine calculated as a percentage from the annual turnover;
- Implementation, from 1 November 2021 to 31 March 2022, against the background of the surge in the energy price on the international and national markets and the impact thereof on Romanian customers, of the customer support schemes approved by GEO no. 118/2021, as approved with amendments by Law no. 259/2021 and amended by GEO no. 130/2021, in the context of the increase of the prices on the electricity and natural gas markets at international and national level, as well as of the effects caused by these increases for the Romanian population. The way the schemes shall be implemented, i.e. through suppliers, and especially the way suppliers shall be compensated, ex-post, from the state budget for the costs borne, imply cash flow constraints, and uncertainties concerning the full recovery of the costs borne by suppliers with the implementation of the schemes;
- Enforcement, in 2022, of the new *Performance Standard for the supply of electricity/gas*, approved by ANRE Order no. 83/2021, 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 the quality standards, and more guaranteed quality indicators;
- Amendment of the *Electricity Supply Regulation*, by ANRE Order no. 82/2021 and no. 91/2021, according to which, as of 1 January 2022, the consumption of electricity from the monthly invoice sent by the network operator to suppliers shall be determined, in the absence of the meter reading, based on a consumption convention. The mentioned provision has a positive impact regarding the level of invoiced consumption and the payment amount related to the distribution tariff for the respective consumption;
- Amendment of the Gas Supply of Last Resort Regulation by ANRE Order no. 125/2021, making more difficult for suppliers of last resort (SoLRs) to voluntarily relinquish this quality, and bringing changes concerning the duration of the supply of last resort (min. 12 months for small customers) and the price setting mechanism (i.e. the supply and transmission components of the final price must be kept unchanged for at least 3 months). Also, the criteria for selection of SoLRs for automatic takeover of customers have been supplemented with the takeover capacity criterion, under which the number of customers taken over may not exceed 30% of SoLR's number of customers.
- ANRE order no. 91 of 23 June 2022 for the approval of the Regulation on the last resort supply of electricity, which establishes the procedure for the designation by the National Energy Regulatory Authority of last resort suppliers of electricity, the conditions for carrying out and ceasing the activity of supply of electricity of last resort, the price applied by the suppliers of last resort to the customers taken over, as well as the procedure for taking over the places of consumption of the final customers who have not ensured the supply of electricity from any other source.

For the **distribution segment**, the significant changes in the Romanian legislation were detailed *at chapter 1.2*.

Key Events. Based on these changes, the expected effects refer to:

- GEO no. 27/2022 regarding the measures applicable to final customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023: i) to cover the additional costs related to network losses for 2021, ANRE amends the regulated tariffs, with applicability starting with 1 April 2022, and the resulting tariffs do not change between 1 April 2022 and 31 March 2023; ii) the additional costs financed from bank loans made during the GEO period to cover the network losses are capitalized, with a duration of 5 years and RRR = 50% x RRR

RP4; iii) the electricity costs purchased for network losses after the date of entry into force of the GEO will be recognized in the regulated tariffs, according to the ANRE methodologies; iv) the transmission and distribution tariffs will be modified according to the costs registered until 31 March 2023, in a period of up to 5 years, after 31 March 2023; v) producers in the portfolio of the Romanian state, have the obligation to respond in 5 working days with partial or total sales offers, energy purchase requests addressed by TSO and DSO, individually or in aggregate, directly or through dedicated platforms in the organized market respectively the application of the measures through the secondary legislation under public debate.

- The regulatory framework for the implementation of binomial distribution tariffs starting with 01.01.2024 is under public debate.
- GEO no. 119/2022 for the amendment and completion of GEO no. 27/2022 regarding the measures applicable to end customers in the electricity and natural gas market in the period April 1, 2022—March 31, 2023, as well as for the modification and completion of some normative acts in the field of energy - in force starting from September 1, 2022: (i) the additional costs with the purchase of electricity, made between January 1, 2022 and August 31, 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 December 31, 2022, through direct negotiated contracts starting on September 1, 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;
- ANRE proposal to amend the Investment Procedure, considering the recognition of DO investments in energy storage and production for control and NL: (i) inclusion in the category of justifiable investments of energy production installations from renewable sources for NL supply and control consumption from the station ; (ii) the inclusion in the category of necessary investments of electricity storage facilities; (iii) the possibility for DO to own storage facilities, by way of exception from the provisions of the Energy Law (art. 46¹ 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.

For the supply segment, the legislative changes brought by the support scheme (granting of caps, compensations and exemptions granted to final customers) applicable during the cold season, respectively 1 November 2021 – 31 March 2022, extended with a capping scheme between 1 April 2022 – 31 March 2023, significantly reduced the migration of customers to and from other suppliers, the price cap eliminating competition from the retail energy market and natural gas.

For the production segment, the development of already acquired projects is continuing with a view to reaching the ready to build stage, respectively:

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

In addition to the previously mentioned aspects, the activities regarding:

- Acquisitions of new projects regarding the production of electricity from renewable sources and/or the conclusion of partnerships through the acquisition of majority shares in RES projects (already developed by potential partners);
- Starting the planning of project development activities for: production from renewable sources, natural gas production, energy storage in batteries, hydrogen production and storage projects;
- The start of planning activities for the operationalization of the EPE branch, phased in line with the development and implementation calendar of energy generation and storage projects.

The human resources area perspective

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, within the pandemic context, the inherent technological changes, as well as the process of succession to a new generation, 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 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 the retention of key personnel, attracting of talents, and development of the human resource at the organization level.

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, in the first part of the year the corporate reorganization plan was carried out as an necessary and opportune measure to adapt to the current market context, significantly affected by the energy market crisis and, further, by the external events within the new geopolitical context, which indirectly impacted the economical national context. This initiative pursues a series of objectives, such as:

- optimization of 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.

The IT&C perspective

For 2022, in line with the objectives and directions included in the IT&C Strategy approved in 2019, 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 in order to improve the operational efficiency.

Electrica's capital expenditures in the nine months period ended 30 September 2022 and 30 September 2021 amounted to RON 368 mn. and RON 284 mn., respectively. Capital expenses are concentrated on distribution segment.

The volume of investments in the distribution network reflects the Group's effort to accomplish the planned level of investments for 2022, especially in the distribution segment in accordance with the annual investment plan approved by ANRE and the main financing sources are both the sources attracted from the bank and those from own sources.

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 unreviewed and unaudited for the nine months period ended 30 September 2022 prepared in accordance with OMFP 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards adopted by the European Union with subsequent changes, provides an accurate and real image regarding the Electrica Group's financial position, the financial performance and the cash flows, as required by the applicable accounting standards, and that this Report, prepared in accordance with art. 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 nine months period ended 30 September 2022, comprises accurate and real information regarding the Group's development and performance.

Chair of the Board of Directors,

Iulian Cristian BOSOANCA

Chief Executive Officer,

Alexandru-Aurelian CHIRITA

Chief Financial Officer,

Stefan Alexandru FRANGULEA

9. Annexes

9.1. Economic and financial indicators of Electrica Group as of 30 September 2022 according to Annex 13/ASF Regulation no. 5/2018

Indicator	Formula	Value
Current liquidity ratio	Current assets/Current liabilities	0.8
Capital Gearing Ratio	Debt/Equity * 100	13.3%
Trade receivables turnover	Average balance trade receivables/ Turnover * 270	69 days
Non-current asset turnover ratio	Turnover/Non-current assets	1.05

Glossary

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

IPO	Initial Public Offering
IR	Investor Relations
ISIN	International Securities Identification Number
KPI	Key Performance Indicators
kV	KiloVolt
LR	Last Resort
LV	Low Voltage
MV	Medium Voltage
MVA	Mega Volt Ampere
MWh	MegaWatt hour
MKP	Management Key Position
NAFA	National Agency for Fiscal Administration
NES	National Energy System
NL	Network Losses
NRC	Nomination and Remuneration Committee
OMPF	Order of Ministry of Public Finances
OGMS	Ordinary General Meeting of Shareholders
OHL	Overhead Line
OHS	Occupational Health and Safety
OPCOM	Romanian Gas and Electricity market operator
RAB	Regulated Asset Base
RM	Retail Market
RON	Romanian monetary unit
RRR	Regulated Rate of Return
SAD	Distribution Automation System
SCADA	Supervisory Control And Data Acquisition
SDMN	Societatea de Distributie a Energiei Electrice Muntenia Nord
SDTN	Societatea de Distributie a Energiei Electrice Transilvania Nord
SDTS	Societatea de Distributie a Energiei Electrice Transilvania Sud
SEM	Servicii Energetice Muntenia SA
SEO	Servicii Energetice Oltenia SA
SoLR	Supplier of last resort
TWh	TeraWatt hour
TSO	Transmission and system operator
UM	Unit of Measurement
US	Universal Service
VAT	Value Added Tax



SOCIETATEA ENERGETICA ELECTRICA S.A.

Condensed Consolidated Interim Financial Statements

as at and for the nine month period ended

30 September 2022

prepared in accordance with

OMFP no. 2844/2016, with subsequent amendments for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by European Union

SOCIETATEA ENERGETICA ELECTRICA S.A.**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022**

PREPARED IN ACCORDANCE WITH **OMFP no. 2844/2016**, for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards adopted by the European Union with subsequent changes

Contents

Condensed consolidated statement of financial position	1
Condensed consolidated statement of profit or loss	3
Condensed consolidated statement of comprehensive income	5
Condensed consolidated statement of changes in equity	7
Condensed consolidated statement of cash flows	9

Notes to the condensed consolidated interim financial statements

1. Reporting entity and general information	11
2. Basis of accounting	15
3. Basis of measurement	15
4. Significant accounting policies	15
5. Operating segments	16
6. Revenue	19
7. Other income	19
8. Electricity and natural gas purchased	19
9. Earnings per share	20
10. Income tax	20
11. Trade receivables	21
12. Cash and cash equivalents	22
13. Other payables	23
14. Long-term bank borrowings	23
15. Provisions	25
16. Financial instruments - fair values	26
17. Related parties	26
18. Acquisition of subsidiaries	28
19. Contingencies	30
20. Subsequent events	31

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	30 September 2022 (unaudited and not reviewed)	31 December 2021 (audited)
ASSETS			
Non-current assets			
Intangible assets related to concession arrangements		5,566,988	5,514,557
Other intangible assets		11,640	8,983
Intangible assets from the capitalization of NL		779,838	-
Goodwill	18	12,040	-
Property, plant and equipment		491,053	505,419
Investments in associates		18,824	25,810
Deferred tax assets	10	34,677	83,531
Right of use assets		57,820	20,945
Other non-current assets		1,659	1,661
Total non-current assets		6,974,539	6,160,906
Current assets			
Trade receivables	11	2,380,584	1,344,619
Subsidies receivable	7	1,032,745	-
Other receivables		162,161	48,600
Cash and cash equivalents	12	174,738	221,830
Inventories		118,459	72,958
Prepayments		8,565	5,034
Current income tax assets		23,507	23,777
Assets held for sale		10,533	5,412
Total current assets		3,911,292	1,722,230
Total assets		10,885,831	7,883,136
EQUITY AND LIABILITIES			
Equity			
Share capital		3,464,436	3,464,436
Share premium		103,049	103,049
Treasury shares reserve		(75,372)	(75,372)
Capital contributions in kind from shareholders		7	7
Revaluation reserve		94,318	102,829
Legal reserves		408,405	408,405
Retained earnings		1,348,450	950,228
Total equity attributable to the owners of the Company		5,343,293	4,953,582
Non-controlling interests	18	(473)	-
Total equity		5,342,820	4,953,582

(Continued on page 2)

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	30 September 2022 (unaudited and not reviewed)	31 December 2021 (audited)
Liabilities			
Non-current liabilities			
Long-term bank borrowings	14	192,913	118,756
Lease liabilities	10	36,558	12,102
Deferred tax liabilities		208,437	161,926
Employee benefits		129,905	149,177
Other payables	13	70,087	32,732
Total non-current liabilities		637,900	474,693
Current liabilities			
Current portion of long-term bank borrowings	14	482,247	509,733
Current portion of lease liabilities		22,708	9,442
Bank overdrafts	12	2,347,548	627,402
Trade payables		1,132,664	891,335
Other payables	13	783,098	271,263
Deferred revenue		34,887	9,662
Employee benefits		73,255	101,102
Provisions	15	27,476	34,922
Current tax liabilities		1,231	-
Total current liabilities		4,905,114	2,454,861
Total liabilities		5,543,014	2,929,554
Total equity and liabilities		10,885,834	7,883,136

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

14 November 2022

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Nine month period ended	
		30 September 2022 (unaudited and not reviewed)	30 September 2021 (unaudited and not reviewed)
Revenue	6	7,244,795	5,017,516
Other income	7	2,196,814	142,922
Capitalised costs of intangible non-current assets		779,838	-
Electricity and natural gas purchased	8	(7,727,732)	(3,422,647)
Construction costs related to concession agreements		(380,443)	(279,447)
Employee benefits		(589,550)	(596,871)
Repairs, maintenance and materials		(62,016)	(66,123)
Depreciation and amortization		(371,402)	(361,337)
Impairment for trade and other receivables, net		(97,398)	(72,649)
Other operating expenses		(260,656)	(245,716)
Operating profit		732,250	115,648
Finance income		6,450	2,496
Finance costs		(109,710)	(19,771)
Net finance cost		(103,260)	(17,275)
Share of results of associates		(11)	-
Profit before tax		628,979	98,373
Income tax expense	10	(95,234)	(26,331)
Net profit		533,745	72,042
Net profit attributable to:			
- owners of the Company		533,811	72,042
- non-controlling interests		(66)	-
Net profit		533,745	72,042
Earnings per share			
Basic and diluted earnings per share (RON)	9	1.57	0.21

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

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

	Three month period ended	
	30 September 2022 (unaudited and not reviewed)	30 September 2021 (unaudited and not reviewed)
Revenue	2,616,004	1,757,443
Other income	892,484	64,376
Capitalised costs of intangible non-current assets	779,838	-
Electricity and natural gas purchased	(2,790,136)	(1,256,097)
Construction costs related to concession agreements	(151,673)	(102,528)
Employee benefits	(200,102)	(206,811)
Repairs, maintenance and materials	(25,937)	(23,672)
Depreciation and amortization	(123,190)	(119,262)
Impairment for trade and other receivables, net	(47,362)	(32,886)
Other operating expenses	(70,727)	(79,941)
Operating profit	879,199	622
Finance income	4,152	389
Finance costs	(49,945)	(5,984)
Net finance cost	(45,793)	(5,595)
Share of results of associates	(3)	-
Profit/(Loss) before tax	833,403	(4,973)
Income tax benefit/(expense)	(124,160)	945
Net profit/(loss)	709,243	(4,028)
Net profit/(Loss) attributable to:		
- owners of the Company	709,291	(4,028)
- non-controlling interests	(48)	-
Net profit/(loss)	709,243	(4,028)
Earnings/ (Loss) per share		
Basic and diluted earnings/ (loss) per share (RON)	2.09	(0.01)

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

14 November 2022

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022
(*All amounts are in THOUSAND RON, if not otherwise stated*)

	Nine month period ended	
	30 September 2022 (unaudited and not reviewed)	30 September 2021 (unaudited and not reviewed)
Net profit	533,745	72,042
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Re-measurements of the defined benefit liability	10,249	(5,180)
Tax related to re-measurements of the defined benefit liability	(1,550)	709
Other comprehensive income, net of tax	8,699	(4,471)
Total comprehensive income	542,444	67,571
Total comprehensive income attributable to:		
- owners of the Company	542,510	67,571
- non-controlling interests	(66)	-
Total comprehensive income	542,444	67,571

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

14 November 2022

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022
(*All amounts are in THOUSAND RON, if not otherwise stated*)

	Three month period ended	
	30 September 2022 (unaudited and not reviewed)	30 September 2021 (unaudited and not reviewed)
Net profit/(loss)	709,243	(4,028)
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Re-measurements of the defined benefit liability	372	-
Other comprehensive income/(loss), net of tax	372	-
Total comprehensive income	709,615	(4,028)
Total comprehensive income/(loss) attributable to:		
- owners of the Company	709,663	(4,028)
- non-controlling interests	(48)	-
Total comprehensive income/(loss)	709,615	(4,028)

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

14 November 2022

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022
(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 2022 (audited)	3,464,436	103,049	(75,372)		7	102,829	408,405	950,228	4,953,582	-	4,953,582
Comprehensive income											
Loss for the period (unaudited and not reviewed)							533,811	533,811	(66)	533,745	
Other comprehensive income	-	-	-	-	-	-	8,699	8,699	-	8,699	
Total comprehensive loss (unaudited and not reviewed)	-	-	-	-	-	-	542,510	542,510	(66)	542,444	
Transactions with owners of the Company (unaudited and not reviewed)											
Contributions and distributions											
Dividends to the owners of the Company	-	-	-	-	-	-	(152,799)	(152,799)		(152,799)	
Total transactions with the owners of the Company (unaudited and not reviewed)	-	-	-	-	-	-	(152,799)	(152,799)	-	(152,799)	
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	-	-	-	-	-	(8,511)	-	8,511	-	-	
Acquisition of subsidiary with non-controlling interests	18	-	-	-	-	-	-	-	-	(407)	
Balance at 30 September 2022 (unaudited and not reviewed)	3,464,436	103,049	(75,372)		7	94,318	408,405	1,348,450	5,343,293	(473)	5,342,820

(Continued on page 8)

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

Attributable to the owners of the Company										
	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	Total	Non-controlling interests	
Balance at 1 January 2021 (audited)	3,464,436	103,049	(75,372)	7	116,372	392,276	1,759,506	5,760,274	-	5,760,274
Comprehensive income							72,042	72,042		72,042
Profit for the period (unaudited and not reviewed)	-	-	-	-	-	-	(4,471)	(4,471)		(4,471)
Total comprehensive income (unaudited and not reviewed)	-	-	-	-	-	-	67,571	67,571	-	67,571
Transactions with owners of the Company (unaudited and not reviewed)										
Contributions and distributions							(247,874)	(247,874)		(247,874)
Dividends to the owners of the Company	-	-	-	-	-	-	(247,874)	(247,874)		(247,874)
Total transactions with the owners of the Company (unaudited and not reviewed)	-	-	-	-	-	-	(247,874)	(247,874)	-	(247,874)
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	-	-	-	-	-	(11,075)	-	11,075		-
Balance at 30 September 2021 (unaudited and not reviewed)	3,464,436	103,049	(75,372)	7	105,297	392,276	1,590,278	5,579,971	-	5,579,971

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

14 November 2022

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

Note	Nine month period ended	
	30 September 2022 (unaudited and not reviewed)	30 September 2021 (unaudited and not reviewed)
Cash flows from operating activities		
Profit	533,745	72,042
Adjustments for:		
Depreciation	14,294	15,139
Amortisation	357,108	346,198
Capitalised costs of intangible non-current assets	7 (779,838)	-
Reversal of impairment of property, plant and equipment, net	-	(2,315)
Loss/ (Gain) on disposal of property, plant and equipment	(609)	1,691
Impairment of trade and other receivables, net	11 97,398	72,649
Employee benefits	(17,421)	-
Adjustments for assets held for sale, net	453	426
Change in provisions, net	15 (7,446)	11,733
Net finance cost	103,260	17,275
Income tax expense	10 95,234	26,331
Share of loss of associates	11 396,189	-
		561,169
Changes in:		
Trade receivables	(1,167,652)	(192,816)
Subsidies receivable	7 (1,032,745)	-
Other receivables	(159,669)	(6,274)
Prepayments	(3,531)	(6,087)
Inventories	(45,501)	7,438
Trade payables	293,283	16,928
Other payables	598,969	51,687
Employee benefits	(20,999)	(5,089)
Deferred revenue	25,222	2,372
Cash generated from/(used in) operating activities	(1,116,434)	429,328
Interest paid	(97,756)	(16,785)
Income tax paid	-	(27,727)
Net cash generated from/(used in)operating activities	(1,214,190)	384,816

(Continued on page 10)

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022
(All amounts are in THOUSAND RON, if not otherwise stated)

Note	Nine month period ended	
	30 September 2022	30 September 2021
	(unaudited and not reviewed)	(unaudited and not reviewed)
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(5,820)	(7,556)
Payments for network construction related to concession agreements	(408,958)	(355,451)
Payments for purchase of other intangible assets	(5,657)	(3,124)
Proceeds from sale of property, plant and equipment	2,610	1,350
Interest received	-	1,633
Payments for acquisition of subsidiaries, net of cash acquired	18 (4,452)	-
Acquisition of investments in associates	-	(19,481)
Net cash used in investing activities	(422,277)	(382,629)
Cash flows from financing activities		
Proceeds from long term bank borrowings	14 113,449	153,005
Proceeds from overdrafts	14 1,714,437	-
Repayment of long-term bank loans	14 (69,690)	(42,621)
Payment of lease liabilities	(16,530)	(11,514)
Dividends paid	(152,291)	(247,413)
Net cash generated from financing activities	1,589,375	(148,543)
Net decrease in cash and cash equivalents	(47,092)	(146,356)
Cash and cash equivalents at 1 January	(405,572)	405,963
Cash and cash equivalents at 30 September	12 (452,664)	259,607

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

14 November 2022

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

(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 nine month period ended 30 September 2022.

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 30 September 2022 and 31 December 2021, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy with 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 30 September 2022 and 31 December 2021, the Company's subsidiaries are the following:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 30 September 2022	% shareholding as at 31 December 2021
Distributie Energie Electrica Romania S.A. ("DEER")	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	99.99999929%	99.99999929%
Electrica Furnizare S.A.	Electricity and natural gas supply	28909028	Bucuresti	99.9998444099934%	99.9998415011992%
Electrica Serv S.A.	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	99.99998095%	99.99998095%
Electrica Productie Energie S.A	Electricity generation	44854129	Bucuresti	99.9920%	99.9920%
Electrica Energie Verde 1 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	Constanta	60%	-
New Trend Energy S.R.L.	Electricity generation	42921590	Constanta	60%	-
Green Energy Consultancy & Investments S.R.L.	Electricity generation	29172101	Prahova	75%	-

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

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

As at 30 September 2022 and 31 December 2021, the Company's associates are the following:

Associate	Activity	Sole registration code	Head Office	% shareholding as at 30 September 2022	% shareholding as at 31 December 2021
Crucea Power Park S.R.L.	Electricity generation	25242042	Constanta	30%	30%
Sunwind Energy S.R.L.	Electricity generation	42910478	Constanta	-	30%
New Trend Energy S.R.L.	Electricity generation	42921590	Constanta	-	30%
Foton Power Energy S.R.L.	Electricity generation	43652555	Constanta	30%	30%

Changes in Group structure in for the nine months period ended 30 September 2022

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 18).

On 21 March 2022, the Group acquired an additional 30% of the shares and voting interests in Sunwind Energy S.R.L.. As a result, the Group's equity interest increased from 30% to 60%, granting control of Sunwind Energy S.R.L.. (for further details please see Note 18).

On 27 May 2022, the Group acquired an additional 30% of the shares and voting interests in New Trend Energy S.R.L.. As a result, the Group's equity interest increased from 30% to 60%, granting control of New Trend Energy S.R.L.. (for further details please see Note 18).

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, Dâmbovița, Brăila, Galați and Vrancea counties), Transilvania Nord area (Cluj, Maramureș, Satu Mare, Salaj, Bihor and Bistrița Năsăud counties) and Transilvania Sud area (Brășov, Alba, Sibiu, Mureș, 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):

Orders 220, 221, 222/09.12.2020		
1 January 2021 – 31 December 2021		
	High voltage	Medium voltage
Transilvania Nord Area	19.23	66.35
Transilvania Sud Area	22.23	67.47
Muntenia Nord Area	18.72	56.87
		173.93
		178.78
		184.75

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

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

Order 119/25.11.2021**1 January 2022 -31 March 2022**

	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

Order 28/23.03.2022**Starting 1 April 2022**

	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

According to the Government's emergency ordinance (GEO) no. 119/2022 for the amendment and completion of GEO no. 27/2022, 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.

In accordance with the provisions of art. III from GEO 119/2022, 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, approved by ANRE Order no. 129/2022, published in the OG no. 1019/2022 on 19 October 2022. 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.

Electricity supply

Due to the increase in energy price on the international and national markets and the impact thereof on Romanian consumers, starting with 1 November 2021 up to 31 March 2022, consumer support schemes were implemented as approved by Order no. 118/2021, approved and modified by Law no. 259/2021 and amended by Order no. 130/2021, Order no. 2/2022, and Order no. 3/2022. The following support mechanisms have been put in place: compensation of household consumers for part of the electricity invoices, exemption (until 31 January 2022) of several types of non-household consumers from payment of regulated tariffs and other taxes/contributions, capping the selling price for household and non-household consumers (until 31 January for certain types of non-household consumers, starting 1 February 2022 for all non-household consumers), suspending the invoice payment for vulnerable consumers.

The amounts compensated will be received by the Group from the National Agency for Payments and Social Inspection ("ANPIS") for household consumers and from the Ministry of Energy for non-household consumers. The amounts should be recovered in 30 days after submitting the required documentation to ANPIS or Ministry of Energy.

On 18 March 2022, it was issued the Government Emergency Ordinance (GEO) no. 27 related to the application between 1 April 2022 – 31 March 2023 of new capping schemes for electricity and natural gas, as well as the regularization with the new calculation schemes for the period 1 November 2021 – 31 March 2022. The Ordinance also provides for the method for implementing these schemes and the settlement mechanism of the amounts granted as support to customers and their recoverability from the State budget including the regularization of the amounts to be recovered based on the new schemes for the period 1 November 2021 up to 31 March 2022.

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

On 1 September 2022, it was issued the Government's Emergency Ordinance (GEO) no. 119 for the amendment and completion of GEO 27 regarding the measures applicable to final customers on the electricity and natural gas market for the period 1 September 2022 – 31 August 2023.

The main changes of the ordinance that have an impact on the electricity and natural gas supply activity are:

- The withdrawal of the capped price for electricity for household customers with consumption over 255 KWh/month and the limitation of the capped price for non-domestic customers (limitation of both the quantities and categories of non-domestic customers);
- The limitation of the average purchase price considered for determining the amounts to be recovered from the state budget to 1,300 lei/MWh; except of the purchase intended for supply as a last resort, where this limitation does not apply;
- The obligation to pay contribution to the Energy Transition Fund. The calculation is done monthly, taking into account the average purchase price (Pp) achieved by the economic operator in question, the average selling price (Sp) on all wholesale markets, including PZU, PI and PE and the quantity sold (Q). Surtax (S) is calculated with the formula: $S=(Pp \times 1.02 - Sp) \times Q$;
- The obligation to store natural gas of a minimum 30% of the natural gas required for the consumption of final customers from their own portfolio;
- The obligation of natural gas producers to sell at the price of 150 lei/MWh the necessary quantities to the suppliers of domestic customers/heat energy producers.

Electricity generation

Green certificates

In accordance to Law no. 220/2008, electricity producers are entitled to receive a certain number of green certificates for each MWh of electricity produced from renewable sources depending on the renewable energy type used (i.e. hydro, wind, solar, geothermal, biomass, bioliquids, biogas) and injected into the network, for a specific period of time, depending also on the degree of novelty of the group/power plant. Starting from February 2013, the Stanesti photovoltaic park has the right to receive, for a period of 15 (fifteen) years, 6 (six) green certificates for each MWh of electricity produced and delivered to the grid, out of which, for the period of July 1, 2013 - December 31, 2020, according to Law 23/2014 and Law 184/2018, 2 (two) green certificates were postponed from trading, and they are to be recovered in equal monthly tranches starting from January 1, 2021 until December 31, 2030. The green certificates issued by Transelectrica for the production made by the Stanesti photovoltaic park, during the validity period of the accreditation decision issued by ANRE, can be traded, according to GEO 24/2017, until March 31, 2032, respectively including the period after the expiration of the validity period of the accreditation decision (January 31, 2028 in the case of the Stanesti photovoltaic park).

For the nine months period ended 30 September 2022, the trading of green certificates was carried out at the minimum price on all markets, 144.6598 RON/GC (2021: 142.2107 RON/GC) as a result of the excess GC offered for sale compared to the suppliers' purchasing obligations.

Increase in electricity price impact

Following the total liberalization of the electricity market from 1 January 2021 for all types of consumers, the international context of the energy markets characterized by an imbalance between supply and demand at European level, corroborated with the energy policies developed both at EU and national level, has led to an increase in electricity prices.

The aforementioned difficult conditions led to an increase in operating expenses, mainly for the acquisition of electricity for network losses of electricity distribution networks and for the supply activity. The unstable economic environment led to a decrease in financial performance for 2021 and continued in the nine month period ended 2022, but with no significant difficulties in receivables collection.

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

The Group actively reviews and implements policies and strategies to recover from the loss generated by the increase in electricity price and liquidity management, which are mainly focused on revising the method used to determine the selling price to final consumers, concluding agreements with specific clauses, ensuring new financing facilities, closely monitoring suppliers and consumers payment terms, monitoring daily and forecasted cash flow.

The Group continues to closely monitor the macroeconomic outlook and as additional information will be available, their effects on the operations of Group companies and over 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 Group's 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, with subsequent amendments for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by European Union. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("IFRS-EU") and these should be read together with the annual consolidated financial statements as at and for the year ended 31 December 2021. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2021.

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 14 November 2022.

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 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 2021.

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

Except as described below, 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 2021.

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

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

The additional accounting policy will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2022.

The new amendments to existing standards that are effective starting with 1 January 2022 do not have a significant impact over the Group's condensed consolidated interim financial statements.

Intangible assets related to the capitalization of NL

Additional costs with 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 capitalized quarterly, the first asset being recorded on 30 September 2022. The computation and amortization 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.

Government grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

5 Operating segments**(a) Basis for segmentation**

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
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.

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

(b) Information about reportable segments

**Nine month period ended
30 September 2022
(unaudited and not reviewed)**

External revenues
Inter-segment revenue
Segment revenue
Other income
Capitalised costs of intangible non-current assets
Segment profit/(loss) before tax
Net finance (cost)/ income
Amortization and depreciation
Impairment of assets held for sale
Adjusted EBITDA*
(Impairment)/Reversal of impairment of trade and other receivables, net
Segment profit/(loss) after tax
Employee benefits
Capital expenditure

**Nine month period ended
30 September 2021
(unaudited and not reviewed)**

External revenues
Inter-segment revenue
Segment revenue
Other income
Segment (loss)/ profit before tax
Net finance result
Amortization and depreciation
Reversal of impairment of property, plant and equipment, net
Impairment of assets held for sale
Adjusted EBITDA*
(Impairment)/Reversal of impairment of trade and other receivables, net
Segment (loss)/profit after tax
Employee benefits expense
Capital expenditure

	Electricity and natural gas supply	Electricity distribution	Electricity generation	External electricity network maintenance	Total for reportable segments	Headquarter	Consolidation eliminations and adjustments	Consolidated total
External revenues	5,919,064	1,302,474	11,794	11,463	7,244,795	-	-	7,244,795
Inter-segment revenue	33,584	1,159,175	6,696	41,639	1,241,094	-	(1,241,094)	-
Segment revenue	5,952,648	2,461,649	18,490	53,102	8,485,889	-	(1,241,094)	7,244,795
Other income	2,104,879	97,348	48	17,018	2,219,293	2,005	(24,484)	2,196,814
Capitalised costs of intangible non-current assets	-	779,838	-	-	779,838	-	-	779,838
Segment profit/(loss) before tax	287,453	361,113	9,967	(26,996)	631,537	21,477	(24,035)	628,979
Net finance (cost)/ income	(29,923)	(99,485)	(1,347)	1,747	(129,008)	50,261	(24,513)	(103,260)
Amortization and depreciation	(9,141)	(350,695)	(1,831)	(8,480)	(370,147)	(1,255)	-	(371,402)
Impairment of assets held for sale	-	-	-	(450)	(450)	-	-	(450)
Adjusted EBITDA*	326,517	811,293	13,145	(20,263)	1,130,692	(27,529)	928	1,104,091
(Impairment)/Reversal of impairment of trade and other receivables, net	(98,382)	831	-	143	(97,408)	10	-	(97,398)
Segment profit/(loss) after tax	238,745	313,827	7,991	(24,373)	536,190	21,492	(23,937)	533,745
Employee benefits	(78,501)	(459,518)	(109)	(30,526)	(568,654)	(20,896)	-	(589,550)
Capital expenditure	6,528	398,944	-	1,266	406,738	1,966	-	408,704
Nine month period ended 30 September 2021 (unaudited and not reviewed)								
External revenues	4,045,155	938,447	4,067	29,847	5,017,516	-	-	5,017,516
Inter-segment revenue	21,460	987,500	747	15,544	1,025,251	-	(1,025,251)	-
Segment revenue	4,066,615	1,925,947	4,814	45,391	6,042,767	-	(1,025,251)	5,017,516
Other income	56,867	87,752	-	13,362	157,981	597	(15,656)	142,922
Segment (loss)/ profit before tax	(25,912)	156,733	810	(27,362)	104,269	325,354	(331,250)	98,373
Net finance result	2,105	(51,186)	(579)	656	(49,004)	362,979	(331,250)	(17,275)
Amortization and depreciation	(10,338)	(340,156)	(1,717)	(7,395)	(359,606)	(1,731)	-	(361,337)
Reversal of impairment of property, plant and equipment, net	-	-	-	137	137	2,178	-	2,315
Impairment of assets held for sale	-	-	-	(264)	(264)	(162)	-	(426)
Adjusted EBITDA*	(17,679)	548,075	3,106	(20,496)	513,006	(37,910)	-	475,096
(Impairment)/Reversal of impairment of trade and other receivables, net	(43,808)	(28,647)	-	(264)	(72,719)	70	-	(72,649)
Segment (loss)/profit after tax	(22,977)	125,134	718	(24,935)	77,940	325,352	(331,250)	72,042
Employee benefits expense	(76,978)	(456,180)	(32)	(38,243)	(571,433)	(25,438)	-	(596,871)
Capital expenditure	6,891	287,831	5	640	295,367	1,804	-	297,171

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

At 30 September 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
Segment assets								
Trade and other receivables	3,560,470	8,481,543	100,355	434,339	12,576,707	600,737	(2,291,613)	10,885,831
Subsidies receivable	2,317,797	658,768	12,348	87,521	3,076,434	496,012	(1,029,701)	2,542,745
Cash and cash equivalents	1,032,745	-	-	-	1,032,745	-	-	1,032,745
Trade and other payables and short term employee benefits	74,525	81,755	6,232	7,378	169,890	4,848	-	174,738
Bank overdrafts	2,143,565	804,264	18,588	48,878	3,015,295	54,020	(1,010,211)	2,059,104
Lease liability	1,423,468	715,251	-	-	2,138,719	208,829	-	2,347,548
Bank borrowings	9,315	36,391	10,908	2,271	58,885	381	-	59,266
	-	675,160	-	-	675,160	-	-	675,160
 At 31 December 2021 (audited)								
Segment assets								
Trade and other receivables	1,422,316	8,085,802	41,206	417,744	9,967,068	182,509	(2,266,441)	7,883,136
Subsidies receivable	1,216,895	1,057,157	998	85,924	2,360,974	75,106	(1,042,861)	1,393,219
Cash and cash equivalents	60,231	145,741	2,635	7,466	216,073	5,757	-	221,830
Trade and other payables and short term employee benefits	298,602	208,109	-	-	506,711	120,691	-	627,402
Bank overdrafts	1,380,664	826,256	24,373	27,917	2,259,210	53,551	(1,016,329)	1,296,432
Lease liability	3,270	15,147	-	2,614	21,031	513	-	21,544
Bank borrowings	-	628,489	-	-	628,489	-	-	628,489

*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. EBITDA is not an IFRS measure and should not be treated as an alternative to IFRS measures. Moreover, EBITDA is not uniformly defined. The method used to calculate EBITDA by other companies may differ significantly from that used by the Group. As a consequence, the EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA of other companies.

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

6 Revenue

	Nine month period ended	
	30 September 2022 (unaudited and not reviewed)	30 September 2021 (unaudited and not reviewed)
Electricity distribution and supply	6,556,750	4,654,879
Supply of natural gas	238,713	32,617
Construction revenue related to concession agreements	392,884	287,831
Repairs, maintenance and other services rendered	50,868	41,385
Sale of green certificates	2,778	578
Services related to re-connection fees	2,041	204
Sales of merchandise	761	22
Total	7,244,795	5,017,516

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 2,255 thousand (nine month period ended 30 September 2021: RON 1,662 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

	Nine month period ended	
	30 September 2022 (unaudited and not reviewed)	30 September 2021 (unaudited and not reviewed)
Subsidies	2,062,833	-
Rental income	69,448	68,122
Income from notices	23,827	54,232
Other	40,706	20,568
Total	2,196,814	142,922

During the nine month period ended 30 September 2022, Electrica Furnizare S.A. recognized subsidies of RON 2,062,833 thousand, out of which RON 1,032,745 thousand outstanding receivable from the Ministry of Energy following the application of the capping price mechanism for the electricity and natural gas as approved by Order no. 118/2021 with subsequent amendments and GEO no. 27/2022, the latter one being amended by GEO no. 119/2022.

8 Electricity and natural gas purchased

	Nine month period ended	
	30 September 2022 (unaudited and not reviewed)	30 September 2021 (unaudited and not reviewed)
Electricity purchased	6,873,577	2,957,024
Green certificates purchased	449,020	430,362
Natural gas purchased	405,135	35,261
Total	7,727,732	3,422,647

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

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

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 shareholders and weighted-average number of ordinary shares outstanding:

Profit for the period attributable to the Company's shareholders

	Nine month period ended	
	30 September 2022 (unaudited and not reviewed)	30 September 2021 (unaudited and not reviewed)
Profit for the period attributable to the owners of the Company	533,811	72,042
Profit for the period attributable to Company's shareholders	533,811	72,042

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 30 September 2022 is 339,553,004 (30 September 2021: 339,553,004).

Earnings per share

	Nine month period ended	
	30 September 2022 (unaudited and not reviewed)	30 September 2021 (unaudited and not reviewed)
Basic and diluted earnings/(loss) per share (RON)	1.57	0.21

Dividends

On 20 April 2022 the General Shareholders Meeting of the Company approved dividend distribution of RON 152,799 thousand (2021: RON 247,874 thousand). The dividend per share distributed is RON 0.45 per share (2021: RON 0.73 per share).

10 Income tax

(i) Amounts recognised in profit or loss

	Nine month period ended	
	30 September 2022 (unaudited and not reviewed)	30 September 2021 (unaudited and not reviewed)
Current tax expense	1,419	18,812
Deferred tax expense	93,815	7,519
Total income tax expense	95,234	26,331

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

(ii) Movement in deferred tax balances

30 September 2022 (unaudited and not reviewed)	Balance at 30 September 2022					
	Net balance at 1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	Net	Deferred tax assets	
					Deferred tax liabilities	
Property, plant and equipment	39,838	(2,806)	-	37,032	-	37,032
Intangible assets related to concession agreements	187,500	13,465	-	200,965	-	200,965
Employee benefits	(23,940)	2,462	1,550	(19,928)	(19,928)	-
Impairment of trade receivables	(24,732)	(2,531)	-	(27,263)	(27,263)	-
Tax loss carried forward	(95,972)	81,701	-	(14,271)	(14,271)	-
Other items	(4,299)	1,524	-	(2,775)	(2,775)	-
Other taxable timing difference	-	-	-	-	-	-
Tax liabilities/(assets) before set-off	78,395	93,815	1,550	173,760	(64,237)	237,997
Set off of tax	-	-	-	-	29,560	(29,560)
Net tax liabilities/(assets)	78,395	93,815	1,550	173,760	(34,677)	208,437

The Group has recognized a deferred tax expense due to the reversal of the fiscal loss recorded in the previous period by the distribution subsidiary, being the fiscal effect determined by the adoption of GEO 119/2022.

30 September 2021 (unaudited and not reviewed)	Balance at 30 September 2021					
	Net balance at 1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	Net	Deferred tax assets	
					Deferred tax liabilities	
Property, plant and equipment	41,757	(3,573)	-	38,184	-	38,184
Intangible assets related to concession agreements	171,712	11,670	-	183,382	-	183,382
Employee benefits	(22,603)	(237)	(709)	(23,549)	(23,549)	-
Impairment of trade receivables	(20,859)	(5,470)	-	(26,329)	(26,329)	-
Tax loss carried forward	(7,765)	4,385	-	(3,380)	(3,380)	-
Other items	(4,121)	744	-	(3,377)	(3,377)	-
Tax liabilities/(assets) before set-off	158,121	7,519	(709)	164,931	(56,635)	221,566
Set off of tax	-	-	-	-	30,880	(30,880)
Net tax liabilities/(assets)	158,121	7,519	(709)	164,931	(25,755)	190,686

11 Trade receivables

	30 September 2021 (unaudited and not reviewed)	31 December 2021 (audited)
Trade receivables, gross	3,457,120	2,325,477
Bad debt allowance	(1,076,536)	(980,858)
Total trade receivables, net	2,380,584	1,344,619

Receivables from related parties are disclosed in Note 17.

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

Following the adoption of Order no. 118/2021 with subsequent amendments approved by Law no. 259/2021 with subsequent amendments and Order no. 226/2021 on the capping and compensation mechanism, part of the receivables of Electrica Furnizare S.A. subsidiary from sale of electricity and gas to final consumers will be recovered from the Romanian State through the National Agency for Payments and Social Inspection and Ministry of Energy. The amounts estimated to be received from the Ministry of Energy for non-household consumers are 36,652 thousand RON (31 December 2021: 11,420 thousand RON) and in clarification process are 5,526 thousand RON (31 December 2021: amounts to be received 59,271 thousand RON) of at the National Agency for Payments and Social Inspection for household consumers.

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

Lifetime expected credit losses

	Nine month period ended	
	30 September 2022 (unaudited and not reviewed)	30 September 2021 (unaudited and not reviewed)
Balance as at 1 January (audited)	980,858	949,573
Loss allowance recognized	112,151	83,255
Loss allowance reversed	(15,355)	(10,606)
Amounts written off	(1,118)	(287)
Balance as at 30 September (unaudited and not reviewed)	1,076,536	1,021,935

Bad debt allowances are determined according to IFRS 9 "Financial instruments" based on "expected credit loss" model. In applying IFRS 9, the Group has identified 5 clusters of customers based on shared risk characteristics: 3 separate clusters for the distribution subsidiary 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 completion of bankruptcy procedures. These receivables were treated separately in computing the allowance according to IFRS 9.

12 Cash and cash equivalents

	30 September 2022 (unaudited and not reviewed)	30 September 2021 (unaudited and not reviewed)
Total cash and cash equivalents in the condensed consolidated statement of financial position	174,738	360,081
Overdrafts used for cash management purposes	(627,402)	(100,474)
Total cash and cash equivalents in the condensed consolidated statement of cash flows	(452,664)	259,607
Restricted cash - short term	-	320,000

The Group has overdrafts from various banks (ING Bank N.V., Raiffeisen Bank, Banca Comerciala Romana, Banca Transilvania, BNP Paribas, Intesa Sanpaolo Bank and BRD – Groupe Societe Generale, Alpha Bank) with a total overdraft limit of up to RON 2,651,960 thousand and maturities ranging from October 2022 to June 2023.

Only a part of the overdrafts in amount of RON 627,402 thousand are used for cash management purposes, the rest of the overdrafts are used in financing the current activity (please see Note 14).

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

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 34,353 thousand for the nine month period ended 30 September 2022 (nine month period ended 30 September 2021: RON 5,614 thousand).

13 Other payables

	30 September 2022 (unaudited and not reviewed)		31 December 2021 (audited)	
	Current	Non- current	Current	Non- current
VAT payable	510,933	-	133,833	-
Liabilities towards the State	6,079	-	7,148	-
Other liabilities	266,086	70,087	130,282	32,732
Total	783,098	70,087	271,263	32,732

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 Bank borrowings

Proceeds and payments of borrowings during the nine month period ended 30 September 2022 were as follows:

	Currency	Interest rate	Maturity year	Long term bank borrowings	Overdrafts not used for cash management purposes
Balance at 1 January 2022 (audited)				628,489	-
Proceeds during the period , out of which: EBRD	RON	Floating rate (1.15% + interbank rate + ROBOR spread)	2031	113,449	-
Proceeds from overdrafts				-	1,714,437
Total proceeds				113,449	1,714,437
Accumulated interest				4,448	5,709
Payment of interest				(1,536)	-
Payments of borrowings , out of which:					
BRD	RON	3.99%	2026	(15,600)	-
BRD	RON	3.85%	2028	(19,285)	-
Banca Transilvania	RON	4.59%	2027	(13,393)	-
UniCredit Bank	RON	3.85%	2026	(7,200)	-
BCR	RON	ROBOR 3M+1%	2028	(14,212)	-
Total payments of borrowings				69,690	-
Balance at 30 September 2022 (unaudited and not reviewed)				675,160	1,720,146

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

As at 30 September 2022 and 31 December 2021, the long term bank borrowings are as follows:

Lender	Borrower	Balance at 30 September 2022 (unaudited and not reviewed)	Balance at 31 December 2021 (audited)
Banca Transilvania	Distributie Energie Electrica Romania S.A.	84,835	98,227
UniCredit Bank	Distributie Energie Electrica Romania S.A.	41,226	48,498
BRD	Distributie Energie Electrica Romania S.A.	236,299	271,199
BCR	Distributie Energie Electrica Romania S.A.	114,447	128,243
EBRD	Distributie Energie Electrica Romania S.A.	198,353	82,322
Total, out of which:		675,160	628,489
Current portion of the long-term bank borrowings		477,799	508,197
Accumulated interest		4,448	1,536
Long term borrowings		192,913	118,756

As at 30 September 2022, the overdrafts are as follows:

Lender	Borrower	Overdrafts used for cash management purposes	Overdrafts not used for cash management purposes
BTRL	Distributie Energie Electrica RomaniaS.A.	109,748	48,103
BTRL	Electrica Furnizare S.A.	-	187,221
BCR	Distributie Energie Electrica RomaniaS.A.	-	184,828
BCR	Electrica Furnizare S.A.	16,066	211,137
INTESA SAN PAOLO	Distributie Energie Electrica RomaniaS.A.	98,354	36,810
ING Bank N.V.	Electrica SA	120,691	86,817
ING Bank N.V.	Electrica Furnizare S.A.	-	158,457
ING Bank N.V.	Distributie Energie Electrica RomaniaS.A.	-	31,307
Raiffeisen Bank	Distributie Energie Electrica RomaniaS.A.	-	204,443
Raiffeisen Bank	Electrica Furnizare S.A.	282,543	59,983
Unicredit Bank SA	Electrica Furnizare S.A.	-	299,458
BRD	Electrica Furnizare S.A.	-	78,022
Alpha Bank	Electrica Furnizare S.A.	-	127,851
Total		627,402	1,714,437
Accumulated interest			5,709
Total Overdrafts			2,347,548

Financial Covenants

1) Banca Comerciala Romana loan agreement

The agreement with Banca Comerciala Romana stipulates one financial covenant: *leverage ratio* (Net Consolidated Debt to Consolidated EBITDA) for the 12 months period ending on the last day of the Group's financial year and each 12 months period ending on the last day of the first half of the Group's financial year, of no more than 3:1, which should be fulfilled by the Borrower. The Group exceeded its maximum leverage threshold as at 30 June 2022 and 31 December 2021, the entire amount of the loan being repayable on demand.

On 12 August 2022, the Group has obtained a waiver for the fulfillment of this condition as at 30 June 2022 and 31 December 2021 for the loan to not be repayable on demand, as a result, as at 30 September 2022 presented the long term portion of the loan in "Long-term bank borrowings".

As at 31 December 2021, due to the breach in the covenant, the Group presented the entire loan payable in "Current portion of long-term bank borrowings" on the consolidated statement of financial position.

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

2) European Bank for Reconstruction and Development loan agreement

The agreement with European Bank for Reconstruction and Development stipulates two financial covenants: *interest coverage ratio* (EBITDA for the 12 months preceding the date of calculation to interest payments on all Financial Debt due or accrued during such period) of not less than 3.00:1.00, which should be fulfilled by the Borrower and *Net Debt to Consolidated EBITDA* for the 12 months preceding the date of calculation of not more than 3.00:1.00 to be fulfilled by the guarantor Electrica SA at each financial year and of the first half of each financial year. Any breach in either of the covenants would constitute non-compliance leading to repayment of the loan on demand.

As at 31 December 2021 and 30 September 2022, the Group exceeded its maximum threshold for the covenant *Net Debt to Consolidated EBITDA* and recognized the entire debt in "Current portion of long-term bank borrowings" on the Consolidated Statement of Financial Position.

On 24 February 2022, EBRD issued a waiver letter for the conditions as at 31 December 2021.

On 30 August 2022, the Group has obtained a waiver letter for the conditions as at 30 June 2022. However, the waiver is given under the condition that the Group has been granted a waiver from European Investment Bank (please see point 3) further below). The Group did not receive a waiver from European Investment Bank .

3) European Investment Bank loan agreement

The agreement with European Investment Bank with a maximum loan value of EUR 120,000 thousand, out of which no drawings were yet made, stipulates two financial covenants: *interest coverage ratio* (the ratio of EBITDA to Net Finance Charges) shall not be less than 3x and *net leverage ratio* (the ratio of total Net Debt to EBITDA) shall not be more than 3x, calculated at each relevant period, which must be fulfilled by the guarantor Electrica SA. Relevant period means each period of 12 months ending on or about the last day of the Financial Year and each period of 12 months ending on or about the last day of each Financial Semester. As at 30 June 2022 and 31 December 2021, the Group exceed the maximum threshold for both covenants, bearing the risk of not being able to make drawings from the loan.

4) BRD-Groupe Societe Generale loan agreements

In the loan agreements with BRD-Groupe Societe Generale, due to the existence of the non-performance clause with cross effect, whereby the non-fulfillment of financial obligation resulting from other loan agreements concluded with other credit institutions constitutes a breach of current contractual terms having as possible effect repayment on demand, as at 30 June 2021 and 31 December 2021, the Group presented the entire loan payable in "Current portion of long-term bank loans" in the consolidated statement of financial position.

15 Provisions

	Fiscal	Others	Total provisions
Balance at 1 January 2022 (audited)	1,084	33,838	34,922
Provisions recognised	-	9,248	9,248
Provisions used	-	(2,890)	(2,890)
Provisions reversed	-	(13,804)	(13,804)
Balance at 30 September 2022 (unaudited and not reviewed)	1,084	26,392	27,476

As at 30 September 2022 provisions mainly refer to benefits upon the termination of executive directors' mandate contracts in the form of a non-compete clause of RON 722 thousand (31 December 2021: RON 3,971 thousand) and for

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

various claims and litigations involving the Group companies with a total amount of RON 26,754 thousand (31 December 2021: RON 30,951 thousand).

16 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 date (unobservable inputs).

17 Related parties

(a) Main shareholders

As at 30 September 2022 and 31 December 2021, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy with a share of ownership of 48.79% from the share capital.

(b) Management and directors' compensation

	Nine month period ended	
	30 September 2022 (unaudited and not reviewed)	30 September 2021 (unaudited and not reviewed)
Executive management compensation	25,898	24,761

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:

	Nine month period ended	
	30 September 2022 (unaudited and not reviewed)	30 September 2021 (unaudited and not reviewed)
Members of the Board of Directors	2,513	3,265

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

(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:

Supplier	Purchases (excluding VAT)		Balance (including VAT)	
	Nine month period ended 30 September 2022 (unaudited and not reviewed)	Nine month period ended 30 September 2021 (unaudited and not reviewed)	30 September 2022 (unaudited and not reviewed)	31 December 2021 (audited)
OPCOM	2,122,663	831,523	30,240	29,203
Transelectrica	734,248	499,269	100,587	155,931
Nuclearelectrica	578,534	385,354	90,012	43,343
Complexul Energetic Oltenia	344,542	310,804	43,907	31,502
Hidroelectrica	416,421	187,742	41,395	19,711
Electrocentrale Bucuresti	181,919	-	-	-
ANRE	10,426	7,924	2,695	132
Transgaz	5,879	-	1,781	1,226
SNGN Romgaz SA	137,743	-	26,907	3,305
Others	187,231	10,785	25,953	1,332
Total	4,719,606	2,233,401	363,477	285,685

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:

Client	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
	Nine month period ended 30 September 2022 (unaudited and not reviewed)	30 September 2022 (unaudited and not reviewed)		
OPCOM	258,261	28,897	-	28,897
Transelectrica	192,740	51,348	-	51,348
Hidroelectrica	41,609	7,450	-	7,450
CN Romarm	13,057	1,053	0	1,053
SNGN Romgaz	63,627	19,357	-	19,357
Transgaz	10,027	1,802	-	1,802
CFR Electrificare	7,112	1,294	-	1,294
CN Remin SA	541	71,164	71,148	16
Oltchim	-	536,156	536,156	-
C.N.C.A.F. MINVEST SA	-	26,802	26,802	-
CET Braila	2	3,361	3,361	0
Termoelectrica	-	1,206	1,206	-
National Agency for Payments and Social Inspection	1	-	-	-
Ministry of Energy (*)	-	1,032,745	-	1,032,745
Others	70,603	13,295	694	12,601
Total	657,580	1,795,930	639,367	1,156,563

(*) During the nine month period ended 30 September 2022, Electrica Furnizare S.A. recognized subsidies in amount of RON 2,062,833 thousand, to be received from the Ministry of Energy, following the application of the capping price mechanism for the electricity and natural gas as approved by Order no. 118/2021 with subsequent amendments and

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

GEO no. 27/2022, the latter one being amended by GEO no. 119/2022.

Client	Sales (excluding VAT)	Balance, gross	Allowance	Balance, net
		(including VAT)		
		Nine month period ended 30 September 2021 (unaudited and not reviewed)		
OPCOM	82,805	28,468	-	28,468
Transelectrica	40,949	27,091	-	27,091
SNGN Romgaz	40,453	1,664	-	1,664
Hidroelectrica	11,134	2,638	-	2,638
CN Romarm	10,597	1,093	-	1,093
CFR Electrificare	7,959	507	-	507
C.N.C.F CFR	6,377	701	1	700
CNAIR	6,118	962	-	962
Transgaz	622	1,571	-	1,571
CN Remin	388	71,216	71,216	-
CET Braila	9	3,361	3,361	-
Oltchim	-	536,156	536,156	-
C.N.C.A.F. MINVEST SA	-	26,802	26,802	-
Termoelectrica	-	1,206	1,206	-
Altii	32,043	72,907	548	72,359
Total	239,454	776,343	639,290	137,053

18 Acquisition of subsidiaries

On 6 September 2022, Electrica acquired 75% of Green Energy Consultancy & Investments S.R.L. shares granting control of the entity.

On 21 March 2022 the Group acquired an additional 30% of the shares and voting interests in Sunwind Energy S.R.L.. As a result, the Group's equity interest increased from 30% to 60%, gaining control of Sunwind Energy S.R.L..

On 27 May 2022 the Group acquired an additional 30% of the shares and voting interests in New Trend Energy S.R.L.. As a result, the Group's equity interest increased from 30% to 60%, gaining control of New Trend Energy S.R.L..

The Group has concluded that the new purchased subsidiaries represent a business combination.

Taking control of both New Trend Energy S.R.L. and Sunwind Energy S.R.L. will enable the Group to develop a portfolio of electricity generation capacities from renewable sources.

A. Consideration transferred

The Consideration transferred for the shares acquired was as follows:

	Green Energy Consultancy & Investments S.R.L, (31 August 2022)	New Trend Energy S.R.L, (31 mai 2022)	Sunwind Energy S.R.L, (31 martie 2022)	Total
Cash	1,446	802	2,204	4,452
Fair value of pre-existing interest	-	4,786	2,190	6,976
Consideration transferred	1,446	5,588	4,394	11,428

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

B. Acquisition-related costs

The Group incurred acquisition-related costs of RON 100 thousand relating to external legal fees and due diligence costs. These costs have been included in "Other operating expenses" in the condensed consolidated statement of profit or loss.

C. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Green Energy Consultancy & Investments S,R,L, (31 August 2022)	New Trend Energy S,R,L, (31 mai 2022)	Sunwind Energy S,R,L, (31 martie 2022)	Total
Property, plant and equipment	239	273	163	675
Right of use assets	-	6,095	2,862	8,957
Trade and other receivables	-	46	20	66
Cash and Cash equivalents	1	7	-	8
Total assets	240	6,421	3,045	9,706
Trade and other payables	(196)	(1)	(1)	(198)
Finance lease liability	-	(6,764)	(3,184)	(9,948)
Other non-current liabilities	-	(332)	(191)	(523)
Other payables	(47)	(8)	-	(55)
Total liabilities	(243)	(7,105)	(3,376)	(10,724)
Net assets	(3)	(684)	(331)	(1,018)

D. Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Green Energy Consultancy & Investments S,R,L, (31 August 2022)	New Trend Energy S,R,L, (31 mai 2022)	Sunwind Energy S,R,L, (31 martie 2022)	Total
Consideration transferred	1,446	5,588	4,394	11,428
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities	(1)	(274)	(132)	(407)
Fair value of identifiable net assets	3	684	331	1,018
Goodwill	1,448	5,998	4,593	12,039

The goodwill is attributable mainly to the know-how of the projects and the synergies expected to be achieved from integrating the companies into the Group's existing business. None of the goodwill recognized is expected to be deductible for tax purposes.

SOCIETATEA ENERGETICA ELECTRICA S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

19 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. Against Galati City Hall, former SDEE Muntenia Nord S.A. subsidiary (currently Distributie Energie Electrica Romania S.A.) filed a legal request registered at Ploiesti Court of Appeal. At the term of 21 June 2022, the action was dismissed as being unfounded having the possibility to appeal against the ruling within 15 days from the official communication of the sentence. The company, pursuant to art. 20 of the Administrative Litigation Law no. 554/2004 in conjunction with art. 488 para. (1) point 6 and point 8 of the Code of Civil Procedure, filed an appeal within the legal term, against Civil Sentence no. 124/21.06.2022 pronounced by the Ploiesti Court of Appeal, requesting the cancellation of the appealed decision and, in the retrial, ordering the admission of the summons request as it was formulated.

The Group recognised an expense of RON 12,051 thousand during the year ended 31 December 2019.

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 15, 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

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

AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

early stages and no preliminary ruling was issued so far).

20 Subsequent events**Subsequent receipts from the State for subsidies**

Subsequent 30 September 2022, RON 161,426 thousand were collected from the State for capping subsidies, so that of the total subsidies registered under GEO 118/2021 (applicable to the period January-March 2022) RON 96,645 thousand remained to be collected and of the total subsidies registered under GEO 27/2022 (starting with April 2022), RON 774,673 thousand remained to be collected from the State.

Chief Executive Officer

Alexandru – Aurelian Chirita

Chief Financial Officer

Stefan Alexandru Frangulea

14 November 2022