

Strong increase in EBITDA in the first 9 months of 2023 of 13.5% or RON 148.8 mn. compared to first 9 months of 2022

The evolution of the main indicators for the first 9 months of 2023:

- **EBITDA** – RON 1,252.9 mn., an increase of 13.5% or RON 148.8 mn. compared to 9M 2022;
- **Operating income** – RON 9,890.8 mn., a slight decrease of 3.2% compared to RON 10,221.4 mn. in 9M 2022;
- **Net result** – profit of RON 418.3 mn., a decrease of 21.6% or RON 115.4 mn. compared to the profit of RON 533.7 mn. in 9M 2022;
- **CAPEX PIF (commissioned)** – RON 324.9 mn., solid increase with 66.5% compared to RON 195.1 mn. in 9M 2022.

Declaration from Chirita Alexandru-Aurelian, General Director of Electrica S.A.:

„Consistently achieving favorable financial performance, even in the context of rapid changes in the energy sector, once again underlines the extraordinary adaptability and deep strategic vision of our team. The success of the Electrica Group is highlighted by the 13.5% increase in EBITDA, which is the most convincing sign of our ability to implement effective strategies to increase profitability and optimize operations. The consistent achievements we have recorded since 2022, and which continue in 2023, are the result of constant adaptation, prudent risk management and the successful application of our growth strategies, which is reflected in a positive and sustainable evolution for the Electrica Group.

Before the end of this year, we will present the new medium and long-term strategy of the Group, which will include the same high dose of resilience and flexibility, focusing not only on adapting the main areas of activity to the complex environment in which we operate, but also on the exploitation of renewable sources and the principles of sustainability. Thus, we want to strengthen our position as a market leader and achieve results that meet the expectations of our investors.”

Analysis of the consolidated financial indicators

The main results presented below are extracted from the Simplified Consolidated Financial Statements (interim and final) prepared in accordance with Order of Ministry of Public Finance 2844/2016:

Financial Results – in RON mn.*	2022	9M 2022	9M 2023	Δ 9M	Δ 9M %	Q3 2022	Q3 2023	Δ Q3	Δ Q3 %
Operating income, out of which	13,840	10,221	9,891	-330	-3%	4,288	3,152	-1,136	-27%
<i>Income from subsidies</i>	1,281	2,063	2,555	492	24%	852	753	-98	-12%
<i>Income from the production of</i>	989	780	66	-713	-92%	780	10	-770	-99%
Operating expense	-13,011	-9,489	-9,178	311	-3%	-3,409	-2,719	691	-20%
(Loss)/Operating profit	829	732	713	-20	-3%	879	434	-446	-51%
EBITDA	1,363	1,104	1,253	149	14%	1,003	617	-386	-39%
Financial result	-165	-103	-217	-114	110%	-46	-75	-29	64%
Net profit	559	534	418	-115	-22%	709	313	-397	-56%

*Amounts are rounded to the nearest whole value

***Income from the production of intangible assets representing the capitalization of additional costs with the purchase of electricity. The first capitalized asset for the additional costs of purchasing electricity for the NL coverage was registered on 30.09.2022 for the period January-September 2022 according to OMFP 3900/2022.*

Source: Electrica

In the first 9 months of 2023, EBITDA at Electrica Group level increased by 13.5%, i.e. by RON 148.8 mn., reaching a value of RON 1,252.9 mn., compared to the value of RON 1,104.1 mn. achieved in 9 months 2022.

In 9M 2023 the volumes of energy distributed and supplied were lower by 6.2% and 10% respectively compared to 9M 2022, the operating profit had a slight decrease, of 2.7%, due mostly to the decrease in operating income by 3.2% (mainly due to the tariffs' increase), in conjunction with the implementation of MACEE and the efforts to maintain the costs under control.

Electricity procurement expenses decreased by RON 873.5 mn., or 11.3%, to RON 6,854.0 mn. in the nine months ended 30 September 2023, from RON 7,727.7 mn. in 9M 2022, mainly due to the strong decrease on average by 47.9% in electricity costs for covering network losses (NL) for the distribution segment, as a result of the implementation of the MACEE to which is added the negative impact from the increase by an average of 20% of the electricity purchase price on the supply segment.

The operating expenses decreased with 3.3% in 9M 2023 compared to the same period of last year and the net profit in 9M 2023 recorded a decrease of RON 115.4 mn. (21.6%), mainly due to the increase in the negative impact of the financial result, from RON 103.3 mn. in 9M 2022 to RON 216.8 mn. in 9M 2023 (an increase of 110%). The significant increase in interest costs for the year 2023 compared to the year 2022 is a direct effect of the non-receipt of amounts from the Ministry of Energy and the National Agency for Payments and Social Inspection within the terms established by law, as a result of the application of the price cap mechanism for electricity and natural gas under the applicable legislation.

EBITDA growth at 9M was mainly driven by the operational performance of the distribution segment, namely the revenues increasing by 27.4%, or RON 673.9 mn., to RON 3,135.6 mn. from RON 2,461.6 mn. in the same period of last year, as a result of the following factors:

- favourable impact of approx. RON 348.7 mn., from the increase in the distribution tariffs, on average by 20% compared to 9M 2022, positive effect reduced by the decrease in distributed electricity volumes by approx. 6.2%;
- favourable impact from the evolution of the revenues recognised in accordance with IFRIC 12 - revenues from the energy distribution segment are influenced by the recognition of investments in the distribution network in connection with the concession agreements. These revenues increased in 9M 2023 by RON 325.5 mn., compared to the same period of last year.

As a result of ANRE order 27/2023, starting from Q2 2023, the distribution tariffs have been higher by approx. 20% (26.1% MN area; 21.5% TN area and 10.9% TS area), compared to the same period of the previous year, therefore the electricity distribution revenues are higher, with a favourable impact on the operational performance for the distribution segment. The tariffs applicable from 1 April 2023 will not change until 31 December 2023.

Also, at the beginning of the current regulatory period (PR4), ANRE made a total negative closing correction to PR3 amounting to RON -855 mn. (nominal terms) and RON -665 mn. (2018 terms), of which RON -341 mn. (2018 terms) for meters recognized as investments in PR2 (2008-2013). The meter correction was challenged in court by the distribution subsidiary of Electrica Group, because in 2013 ANRE recognized the meters in the RAB based on the principle of non-discrimination of all the distribution operators, although they were not registered as fixed assets. The total negative correction related to PR3 decreased the regulated profitability related to PR4, and the amount related to 2023 is -93 mn. RON (nominal terms).

For the supply segment, the revenues from the supply of electricity and natural gas decreased by RON 608.8 mn., or 10.2%, to RON 5,343.8 mn., from RON 5,952.6 mn. at 9M 2022, this variation being mainly generated

by the net effect of the increase in retail market sales prices by 5% and the reduction in the quantity of energy supplied to the retail market by 10%.

As of September 30, 2023, the subsidies receivable from the supply segment amount to approximately RON 2,264.1 mn. (of which RON 2,254.3 mn. from the Ministry of Energy), an increase of RON 983.3 mn. (as of 31 December 2022 they amounted to RON 1,280.8 mn.). Of the total RON 2,254.3 mn., RON 1,198.6 mn. represents uncollected claims submitted to the state authorities up to the date of this press release.

It is noteworthy that the evolution in financial performance between 2023 and 2022 is underscored by a notable reduction in capitalized network losses (NL) costs. During the first nine months of 2023, the capitalized NL amounted to approximately RON 66 mn., a significant decrease from the RON 780 mn. recorded in the same period of 2022. This reduction is attributed to the Group's successful efforts in minimizing additional costs associated with the purchase of electricity for CPT in the distribution segment.

Upon excluding the capitalized NL from the operating profit, a positive trend emerges. The operating profit improved from RON 99 million in the first nine months of 2022 to RON 367 million in the corresponding period of 2023. This improvement significantly contributes to the positive trajectory of the Group's overall performance, impacting both current operating revenues and subsequent receipts.

The operational performance has been further bolstered by not only the decrease in NL costs but also by a reduction in other operational expenses and an increase in revenues from reactive energy. It is important to note that the intangible assets accumulated in conjunction with the income from the capitalization of NL costs are non-cash in nature. These revenues are recoverable in monetary terms through billings and subsequent receipts, commencing from the first year, 2023, effective April 1, 2023, and extending into subsequent periods.

Electrica's outstanding financial performance within the dynamic context of the energy sector is a testament to its strategic vision and operational resilience, achieved through efficient risk management, optimization of operations and embracing innovation. The Group will continue the process of adapting its activities and strategy to market conditions, based on a sustainable growth of the Group companies, so that we can ensure financial stability and efficiency of all business lines in the portfolio. Thus, the positive evolution of the financial performance evidenced by the significant increase of the net result, reflects Electrica SA's ability to adapt to the dynamic economic environment and to implement effective strategies to increase profitability and operational efficiency.

OTHER IMPORTANT OPERATIONAL INFORMATION

- **Distributed electricity volumes** - 12.55 TWh, down 6.2% compared to 9M 2022 but up 3% in Q3 2023 compared to Q2 2023. DEER serves approx. 3.9 mn. users, over an area covering about 40% of Romania;
- **Volumes of electricity supplied to final customers** - 5.7 TWh, down by 10% compared to 9M 2022, amid the general downward trend of electricity consumption; Electrica Furnizare supplies electricity to approx. 3.5 mil. consumption places on the competitive market, as well as in universal service and last resort);
- **Supply market share** - Electrica Furnizare is one of the largest suppliers, with a total market share of 16.66% and a competitive market share of 9.98%, according to the latest ANRE report available (July 2023);
- Electrica Group continues to pursue the expansion of its portfolio in the field of electricity production, especially from renewable sources, having at this time projects in different phases of execution with a capacity of approx. 300 MW;

- The **estimated Regulated Assets Base (RAB)**, in nominal terms, with an inflation of 13.69% for the year 2023, estimated at the end of the third quarter of 2023 was RON 6.9 bn., without inflation being RON 6 bn.. Please note that the RAB assets will be valued at the end of the year.
- At the end of the first 9 months of 2023, the operator Distribuție Energie Electrică România (DEER) made and put into operation investments (**commissioned CAPEX**) amounting to RON 324.9 mn., representing 42.5% of the value of the commissioning program planned for 2023 (RON 764.1 mn., of which RON 628.4 mn. plan for 2023, and RON 135.6 mn. values related to 2022 plan); RON 162.4 mn. from 2023, RON 95.2 mn. recoveries related to 2022 and RON 67.2 mn. additional works compared to the 2023 plan, resulted from legislative changes regarding the connections.

The documents related to the Q3 2023 results are available on Electrica's website at the following link: <https://www.electrica.ro/en/investors/results-and-reports/financial-results/financial-statements-for-q3-2023/>, as well as in the pdf file attached below.

We remind you that Electrica's management is organising on **20 November 2023, 16:00** (Romanian time), a web conference for analysts and investors: **Presentation of Electrica Group Q3 2023 Financial Results**.

The web conference can be accessed online under the following link:

<https://87399.themediaframe.eu/links/electrica231120.html>

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CEO
Alexandru-Aurelian Chirita

CFO
Stefan Frangulea



CONSOLIDATED DIRECTORS' REPORT

for the nine-month period ended 30 September 2023 (9M 2023)

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

**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.

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

1. Identification Details Of The Issuer

Report date: 15 November 2023

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 Depositary Receipts (ticker: ELSA) are listed on the London Stock Exchange.

Applicable accounting standards: Order of the Ministry of Public Finance no. 2844/2016 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards adopted by the European Union with subsequent amendments

Reporting period: 9M 2023 (period 1 January – 30 September 2023)

Audit/Review: The condensed consolidated interim financial statements as of and for the nine months period ended 30 September 2023 are not reviewed or audited by an independent financial auditor.

Table 1. Company details

	Ordinary Shares	GDR
ISIN	ROELECACNOR5	US83367Y2072
Bloomberg Symbol	0QVZ	ELSA: LI
Currency	RON	USD
Nominal Value	RON 10	-
Stock Market	Bucharest Stock Exchange REGS	London Stock Exchange MAIN MARKET
Ticker	EL	ELSA

Source: Electrica

2. Highlights

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

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

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

The Group holds an electricity supply license covering the entire territory of Romania, which was renewed in 2021 for a period of 10 years. In order to extend the economic activities of Electrica Furnizare S.A. (EFSA) in Hungary, the electricity trading license was granted by the Hungarian Energy and Public Utilities Regulatory Authority (MEKH) for Electrica Furnizare, by Decision no. H879/2022. Also, the Group holds a natural gas supply license valid until 2032.

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

The Group entered on the segment of **electricity production**, from renewable sources, starting with 2020 through the purchase of a photovoltaic park with an installed capacity of 7.5 MW (operating capacity limited to 6.8 MW), and in the last 12 months of acquired five projects of electricity production parks from renewable sources (four photovoltaics - with an installed capacity of 175.5 MW and a wind farm with an installed capacity of 121 MW, with an attached electricity storage capacity of 60 MWh). In the first quarter of 2023, the Group completed the acquisition of two photovoltaic projects, with an installed capacity of 12 MWp DC (peak power at the level of the panels) and 9.75 MW AC (evacuating power in the network) and respectively with an installed capacity of 27,055 MW. On 15 May 2023, the Group acquired an additional 10% of the shares and voting interests in Crucea Power Park S.R.L.. As a result, the Group's equity interest increased from 30% to 40%. In the third quarter of 2023, on 31 July, the Group acquired another 30% of the shares and voting rights of Foton Power Energy S.R.L., thus increasing the Group's participation from 30% to 60%, Foton Power Energy S.R.L. becoming a subsidiary of the Electrica Group.

In the consolidated report of the administrators on the date and for the nine-months period ending on 30 September 2023, the main events that took place during the nine months period of the current financial year (detailed below) are included and their impact on the accounting reporting is included both in the operational results of the Group. Also, significant events subsequent to the reporting date are included in this report.

2.1. Key Events during the period January – September 2023 (9M 2023)

During the six months period ended 30 September 2023 the following main events took place:

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

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

The Climate Governance and Public Affairs Committee:

- Mr. Dragos-Valentin Neacsu – Chairman;
 - Mr. George Cristodorescu – Member;
 - Mr. Iulian Cristian Bosoanca – Member.
- On 27 February 2023, ELSA’s Board of Directors decided to extend the duration of the mandate of Mr. Alexandru-Aurelian Chirita, as interim CEO, until 30 April 2023 (inclusively).
 - Also, on 27 February, ELSA’s Board of Directors decided to extend the duration of the mandate of Mr. Stefan-Alexandru Frangulea, as interim CFO, for a period of 2 years, until 27 February 2025 (inclusively).
 - On 7 March 2023, Board of Directors of Electrica decided to convene the Ordinary General Meeting of Shareholders and the Extraordinary General Meeting of Shareholders, on 27 April 2023.
 - On 14 March 2023, ELSA’s Board of Directors decided the the appointment of Ms. Ioana - Andreea Lambru, as Chief Business Development Officer (CBDO), starting from 15 March 2023, for a four-year period.
 - On 26 April 2023 the Board of Directors of the Company, upon the recommendation of the Nomination and Remuneration Committee, decided to extend the term of office granted to Mr. Alexandru-Aurelian Chirita as interim General Director until 31 August 2023 (inclusively), under the same conditions.
 - In the meeting of 26 April 2023, the Board of Directors of Electrica approved the consolidated value of the Investment Plan (CAPEX) of the Group for the year 2023.
 - During the meeting from 15 May 2023, the Board of Directors of the Company took note of the ending of the mandate agreement of Mr. Cristodorescu George, BoD member.
 - On 16 May 2023, Electrica’s Board of Directors decided to modify as follows the composition for two of its consultative committees, for the period starting 17 May 2023 and until 31 December 2023, namely:

The Strategy and Corporate Governance Committee:

- Mr. Gicu Iorga – Chair;
- Mr. Dragos Valentin Neacsu – Member;
- Mr. Adrian-Florin Lotrean – Member;

The Climate Governance and Public Affairs Committee:

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

- On 27 June 2023, Electrica’s Board of Directors decided to convene the Extraordinary General Meeting of Shareholders of Societatea Energetica Electrica S.A., on 16 August 2023.
- On 4 July 2023, Electrica’s Board of Directors convened the Extraordinary General Meeting of Shareholders of Societatea Energetica Electrica S.A., on 23 August 2023.
- On 19 July 2023, Electrica’s Board of Directors appointed Ms. Valentina Elena Siclovan as interim member of the BoD, starting 24 July 2023 until the next Ordinary General Meeting of Shareholders, on the position vacant since 15 May 2023.
- On 31 July 2023, the Board of Directors of Electrica decided to modify the Audit and Risk Committee component, for the period starting with 1 August 2023 and until 31 December 2023.

Audit and Risk Committee:

- Mr. Radu Mircea Florescu – Chair;
- Ms. Valentina Elena Siclovan – Member;

➤ Mr. Iulian Cristian Bosoanca – Member.

- On 24 August 2023, Electrica’s Board of Directors decided, at the recommendation of the Nomination and Remuneration Committee, to extend the duration of the mandate of Mr. Alexandru-Aurelian Chirita as interim CEO until 31 December 2023 (inclusively), under the same conditions.

General Meetings of Shareholders (GMS)

OGMS and EGMS from 27 April 2023

- On 27 April 2023, the Ordinary General Meeting of Shareholders (OGMS) and the Extraordinary General Meeting of Shareholders (EGMS), which took place physically and online through the voting platform <https://electrica.voting.ro/>, with a quorum of approx. 76.8% of the total voting rights, approved mainly:
 - The separate and consolidated financial statements, drafted in accordance with OMFP 2844/2016 and IFRS-EU;
 - The total gross dividend value of RON 39,999,343, the gross dividend per share of RON 0.1178, the date of payment of the dividends for the year 2022 as 23 June 2023 and the registration date as 31 May 2023;
 - The 2023 individual and consolidated budgets;
 - A revision of the Remuneration Policy for Directors and Executive Managers;
 - The appointment of Deloitte Audit SRL as financial auditor for 3 years.

Also, the OGMS and EGMS rejected some modifications to the remuneration of the directors, the replacement of the long-term remuneration plan for executive managers within the Electrica Group from granting virtual shares (OAVT) to granting free shares, and, implicitly, the program for buyback by the Company of its own shares.

EGMS from 16 August 2023

- On 16 August 2023, EGMS took place physically and online through the voting platform <https://electrica.voting.ro/>, with a quorum of approx. 76.7% of the total voting rights. EGMS approved:
 - The documentation on the basis of which land ownership certificates (Romanian “CADP”) are to be obtained: “Teren incinta Beius”; “Teren cladire Administrativa Oravita”; „Teren cladire Statie 110kv Otelu Rosu”.

EGMS from 23 August 2023

- On 23 August 2023, the EGMS took place, physically and online through the voting platform <https://electrica.voting.ro/>, with a quorum of 78.4741% of the total voting rights and 76.9133% of the share capital of the Company, which mainly approved:
 - in principle, the merger by absorption between Electrica (ELSA), Electrica Productie Energie SA (EPE), Electrica Energie Verde 1 SRL (EEV) and Green Energy Consultancy & Investments SRL (GECI), with Electrica (ELSA) as absorbing company;
 - the increase of the guarantee granted by ELSA within the nonrevolving term facility, concluded between EBRD and DEER, in order to finance the current activity, especially the purchase of the electricity necessary to cover the own technological consumption and the liquidity deficit. The amount of the credit facility will increase from RON 180 mn. up to RON 240 mn..

Other relevant events

- On 20 January 2023, the Ministry of Energy, as the concessionaire, amended the concession contract with the Electrica Group for the distribution segment to reflect that, in the event of early termination of the concession contract, for any reason, the concessionaire would reimburse the Group the current value of the costs of purchasing electricity for own technological consumption compared to the costs included in the regulated tariffs.
- On 6 February 2023, Electrica has completed the acquisition of the project company Green Energy Consultancy & Investments S.R.L., which develops the photovoltaic project "Vultur" with a designed installed capacity of 12 MWp DC (peak power at the panels level) and 9.75 MW AC (authorised power for delivery into the grid), located near Vultur locality, Vrancea county. The project is in the "ready-to-build" phase.
- On 7 March 2023 Electrica published the consolidated annual financial statements for the year 2022, drawn up in accordance with OMFP 2844/2016, and on 27 March 2023 published the consolidated annual financial statements for the year 2022, in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), as well as an announcement explaining the differences between the two sets of consolidated financial statements.
- On 24 March 2023, Electrica completed the acquisition of the project company Sunwind Energy SRL, which develops the photovoltaic project "Satu Mare 2", with a designed installed capacity of 27.055 MW, located near Botiz locality, Satu Mare county. The project is in the "ready-to-build" phase.
- On 31 March 2023, Electrica announced the publication in the Official Gazette no. 266 from 30 March 2023 of the ANRE Order no. 27 from 29 March 2023, through which the specific tariffs for the electricity distribution service, applicable from 1 April 2023 for Distribuție Energie Electrica România S.A. (DEER) were modified.
- On 28 April 2023, the company published the 2022 Annual Report.
- On 15 May 2023 was published the Q1 2023 condensed consolidated interim financial statements and the Board of Directors' consolidated report for Q1 2023.
- On 15 May 2023, the Company informs its shareholders that, following the resolution of the ordinary general meeting of the shareholders dated 27 April 2023, will pay the dividends for the financial year 2022, starting with 23 June 2023.
- On 17 May 2023, Electrica announced the final settlement by the High Court of Cassation and Justice (ICCJ) of the litigation against ANRE in file 7614/2/2018.
- On 25 May 2023, Electrica announced the definitive resolution by the High Court of Cassation and Justice (ICCJ) of the appeal filed by Electrica Furnizare (EFSA) in file 6665/3/2019.
- On 19 June 2023, Electrica announced its shareholders and investors that its subsidiary Distribuție Energie Electrica România (DEER) has attracted EUR 57 mn. non-reimbursable financing through the Modernisation Fund.
- On 23 June 2023, the Electrica Group informed its shareholders and investors that the 2022 Sustainability Report is available on Electrica's website.
- On 30 June 2023, Electrica informed its shareholders that its subsidiary Distribuție Energie Electrica România (DEER) has attracted EUR 6.25 mn. non-reimbursable financing through the Modernisation Fund, the total amounts drawn, up to 30.06.2023, being EUR 64 mn.
- On 7 July 2023, Electrica announced its shareholders and investors of the fact that, in file no. 2229/2/2017*, the Bucharest Court of Appeal partially admitted the claim made by Electrica and partially annulled the

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Resolution no. 12/27.02.2017 and the Decision no. 12/27.12.2016, issued by the Romanian Court of Accounts, regarding the following deviations from the Decision (respectively to the correlative measures). The decision is subject to appeal, within 15 days from its communication.

- On 18 July 2023, Electrica informed its shareholders and investors about the regulatory news on electricity distribution - 2024 will represent a transition period from the fourth regulatory period (RP4) to the fifth regulatory period (RP5).
- On 2 August 2023, Electrica published the Interim Key Operational Indicators for Q2 2023.
- On 16 August 2023, Electrica's Management organized a Workshop for the presentation of the merger proposed for the in principle approval on the EGMS on 23 August 2023.
- On 18 August 2023, Electrica informed its shareholders and investors that Electrica's subsidiary, Electrica Furnizare S.A. (EFSA), was introduced in the case which is the object of the file no. 1927/2/2019 (Bucharest Court of Appeal) as a forced intervener (defendant), together with all the other last resort suppliers in 2019. EFSA was summoned for the term of 23 October 2023. The object of the court file no. 1927/2/2019 is a request submitted by SPEEH Hidroelectrica S.A. against ANRE.
- On 25 August 2023, Electrica published the H1 2023 Simplified Consolidated Interim Financial Statements and the Board of Directors' Consolidated report for H1 2023 prepared in accordance with the Order of Ministry of Public Finance 2844/2016.
- On 20 September 2023, Electrica published the H1 2023 Condensed Separate Interim Financial Statements and the Board of Directors' Standalone Report for H1 2023 prepared in accordance with the Order of Ministry of Public Finance 2844/2016.
- On 28 September 2023, Electrica published the H1 2023 Simplified Consolidated Interim Financial Statements and the Board of Directors' Consolidated Report for H1 2023 prepared in accordance with IFRS-EU. Previously, on 20 September 2023, Electrica published an announcement release in which it reiterated the differences between the consolidated financial statements prepared according to OMFP 2844/2016 and those prepared according to IFRS-EU.
- EFSA registers delays in collecting the amounts due from ME and ANPIS, on 30.09.2023 registering unpaid values in the amount of RON 2,254.3 mn., this generating a need for significant crediting which leads to a decrease in own profitability.

From the total amount of RON 2,254.3 mn., RON 503 mn. represents uncollected requests which were submitted to the state authorities and RON 1,750.9 mn. are requests which were not yet submitted to the state authorities until 30 September 2023.

In accordance with the provisions of the enacted laws and regulations related to the recovery of these subsidies, the amounts should be recovered in 40 days after submitting the required documentation to the National Agency for Payments and Social Inspection or Ministry of Energy.

Treasury aspects

Loans related to third-parties

- On 9 January 2023, was signed the Additional Act no.2 to the Loan Agreement no. 2022012502 concluded by DEER and BCR which extends the validity of overdraft limit of RON 220 mn. and the validity for issuing bank guarantees until 25 January 2024.

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- On 18 January 2023, was signed the Additional Act no.4 to the Loan Agreement no. 10091385 dated 16 December 2020 concluded by DEER and Banca Transilvania, which extends the validity of Overdraft limit until 01 February 2024, and the validity of the Facility for issuing letters of guarantee until 01 February 2025.
- On 23 January 2023, was signed the Additional Act no.1 to the Loan Agreement no.350 dated 06 September 2022 concluded by EFSA and Alpha Bank Romania, SE Electrica SA as guarantor, in amount of EUR 60 mn., through which is added the movable mortgage over receivables.
- On 27 January 2023, was signed the Additional Act no.5 to the Credit facility agreement no. 3189 dated 28 January 2020, concluded by SE Electrica SA and ING Bank, withing the cash pooling structure, whereby the bank provides the borrower with a credit facility in the total amount of RON 210 mn., with the validity until 27 February 2023. At the same time, additional acts for the intraday credit limit, within the cash-pooling structure, were concluded between DEER, EFSA, SERV, EEV1, SE Electrica SA and ING Bank, with validity until 27 February 2023.
- On 27 January 2023, EFSA concluded with Raiffeisen Bank, SE Electrica SA as guarantor, the Additional act no. 2 to the Loan Agreement no. 56, dated 26 October 2021, which extends the validity of the overdraft until 28 April 2023 and the validity of the facility for issuing bank guarantees until 31 December 2024.
- On 30 January 2023, EFSA concluded with Banca Transilvania, SE Electrica SA as co-debtor, the Additional Act no.3 to the Loan Agreement no.11673879/02.02.2022, in amount of RON 190 mn., which extends the validity of the facility until 30 January 2024 and changes the commercial conditions.
- On 03 February 2023, EFSA concluded with BRD the Additional Act no.2 to the Loan Agreement no. 17/8130/2022 dated 04 February 2022, SE Electrica SA as co-debtor, in amount of RON 220 mn., which extends the validity until 05 March 2023.
- On 07 February 2023 was signed the Additional Act no. 4 to the Loan Agreement no. 111 dated 16 April 2019, for credit line and issuance of bank guarantees, in amount of RON 160 mn. between SE Electrica SA, EFSA, SERV and BNP PARIBAS, which modifies the commercial conditions.
- On 17 February 2023, EFSA concluded with BNP Paribas, SE Electrica SA acting as guarantor, the Additional Act no. 1 to the Loan Agreement no. 148 dated 24 December 2021, for issuing bank guarantees, in amount of RON 220 mn., which modifies the commercial conditions and validity of the bank guarantees.
- On 17 February 2023, EFSA signed with ING Bank, SE Electrica SA acting as guarantor, the Additional Act no. 4 to the Loan Agreement no. WB/C/14 dated 18 February 2022, in amount of EUR 34.3 mn. which extends the validity until 16 March 2024.
- On 20 February 2023, was signed the Credit Facility Agreement no. 49183, concluded by DEER and Garanti BBVA, SE Electrica SA as guarantor, a non-cash facility for the issuance of bank guarantee in amount of RON 103 mn. and validity until 20 April 2025.
- On 27 February 2023, was signed the Additional Act no. 6 to the Credit facility agreement no. 3189 dated 28 January 2020, in amount of RON 210 mn., concluded by SE Electrica SA and ING Bank, which modifies the commercial conditions and establishes the automatic renewal of the facility. At the same time, additional acts for the intraday credit limit, within the cash-pooling structure, were concluded between DEER, EFSA, SERV, EEV1, SE Electrica SA and ING Bank, regarding the automatic renewal.
- On 03 March 2023, EFSA concluded with BRD the Additional Act no.3 to the Loan Agreement no. 17/8130/2022 dated 04 February 2022, SE Electrica SA as co-debtor (corporate guarantee), in amount of RON 220 mn., which extends the validity until 02 February 2024.

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- On 13 March 2023, was signed the Additional Act no.5 to the multi-product Credit Facility Agreement no. 201910080129, for overdraft and issuance of bank guarantee letters, concluded by EFSA and BCR, which increases the value of the overdraft limit up to RON 165 mn..
- On 17 March 2023, was signed the Loan Agreement no. 53747, concluded by DEER and EBRD, SE Electrica SA as guarantor, in amount of RON 180 mn., for working capital and validity until 31 January 2028.
- On 28 March 2023, ELSA concluded with Vista Bank the Additional Act no.1 to the Loan Agreement no. FA 8376 dated 30 December 2022, which increases the value limit of the facility (overdraft and issuance of bank guarantee letters) up to RON 125 mn..
- On 11 April 2023 was signed the Additional Act no. 3 to the Loan Agreement no. 56 dated 26 October 2021, concluded by EFSA and Raiffeisen Bank SA, SE Electrica SA as guarantor, in amount of RON 150 mn., which extends the validity of overdraft limit until 28 July 2023, and the validity of the Facility for issuing letters of guarantee until 31 December 2024.
- On 13 April 2023 was signed the Additional Act no. 1 to the Loan Agreement no. 20220406018 dated 15 April 2022, concluded by EFSA and BCR, SE Electrica SA as guarantor, in amount of RON 220 mn. which extends the validity of overdraft limit until 14 April 2024, and the validity of the Facility for issuing letters of guarantee until 14 April 2025.
- On 18 May 2023 was signed the Additional Act no. 2 to the Loan Agreement no. GRIM/43778 dated 19 May 2022, concluded by EFSA and Unicredit Bank SA, SE Electrica SA as guarantor, through which the value of the loan is converted from RON to EUR 60.8 mn., extends the validity of overdraft limit until 18 May 2024, and the validity of the facility for issuing letters of guarantee until 17 May 2025.
- On 25 May 2023 was signed the Additional Act no. 1 to the Loan Agreement no. 20 dated 26 May 2022, concluded by DEER and Raiffeisen Bank SA, in amount of RON 220 mn., which extends the validity of overdraft limit until 26 July 2023.
- On 31 May 2023 was signed the Additional Act no. 6 to the Loan Agreement no. 201910080129 dated 08 October 2019, concluded by EFSA and BCR, in amount of RON 165 mn. through which modifies the commercial conditions, extends the validity of the loan until 31 May 2024 and the validity of the Facility for issuing letters of guarantee until 07 October 2025.
- On 06 June 2023 was signed the Additional Act no. 3 to the Loan Agreement no. WB/C/379 dated 25 March 2022, concluded by DEER and Ing Bank NV, SE Electrica SA as guarantor, through which the value of the overdraft limit is converted from RON to EUR 10 mn., modifies the commercial conditions, the validity of the loan until 22 March 2024 with automatic extension for 12 months.
- On 07 June 2023 was signed the Additional Act no. 5 to the Loan Agreement no. 240PJ dated 30 June 2020, concluded by DEER and INTESA SANPAOLO, in amount of EUR 27 mn., which extends the validity of overdraft limit until 03 July 2024.
- On 26 July 2023 was signed the Additional Act no. 2 to the Loan Agreement no. 20 /2022, concluded by DEER and Raiffeisen Bank SA, in amount of RON 220 mn., which modifies the commercial conditions and extends the validity of Overdraft limit until 25 August 2023.
- On 27 July 2023 was signed the Additional Act no. 4 to the Loan Agreement no. 56 dated 26 October 2021, concluded by EFSA and Raiffeisen Bank SA, SE Electrica SA as guarantor, in amount of RON 150 mn., which extends the validity of Overdraft limit until 28 August 2023, and the validity of the Facility for issuing letters of

guarantee until 31 December 2024.

- On 04 August 2023 it was signed the Multicredit Facility Agreement no. RQ23079467247483 concluded by EFSA and CEC Bank, SE Electrica SA as guarantor, by which the Lender provides the Borrower with a multi-credit facility up to the value of RON 150 mn., as follows: a credit line valid until 03 August 2025 and a facility for issuing bank guarantees valid until 03 August 2026.
- On 09 August 2023 was signed the Additional Act no. 3 to the Loan Agreement no. 20/2022, concluded by DEER and Raiffeisen Bank SA, which modifies the commercial conditions and extends the validity of Overdraft limit until 26 May 2024.
- On 22 August 2023 was signed the Additional Act no. 5 to the Loan Agreement no. 56 dated 26 October 2021, concluded by EFSA and Raiffeisen Bank SA, SE Electrica SA as guarantor, in amount of RON 150 mn., which extends the validity of Overdraft limit until 28 July 2024, and the validity of the Facility for issuing letters of guarantee until 31 December 2024.
- On 22 August 2023 was signed the Additional Act no. 2 to the Loan Agreement no. 61 dated 24 December 2021, concluded by EFSA and Raiffeisen Bank SA, SE Electrica SA as guarantor, in amount of RON 220 mn., which modifies IBAN account and the validity of Overdraft limit until 24 December 2023, and the validity of the Facility for issuing letters of guarantee until 24 December 2024.
- On 05 September 2023 was signed the Additional Act no. 2 to the Loan Agreement no. 350 dated 06 September 2022, concluded by EFSA and Alpha Bank SA, SE Electrica SA as guarantor, in amount of EUR 60 mn., which extends the validity of Credit Line until 06 September 2024.
- On 11 September 2023 was signed the Additional Act no. 3 to the Loan Agreement no. 350 dated 06 September 2022, concluded by EFSA and Alpha Bank SA, SE Electrica SA as guarantor, in amount of EUR 60 mn., through which the value of the facility is converted from EUR to RON up to the maximum value of RON 300 mn., the facility can be used in EUR and RON.

Intragroup loans

- On 04 April 2023, was signed the Additional Act no. 1 to the Internal Treasury Convention dated 16 December 2020, concluded by SE Electrica SA and Electrica Energie Verde 1 SRL (EEV1), which modifies the commercial conditions.
- On 04 April 2023, was signed the Additional Act no. 3 to the Internal Treasury Convention no. 25 dated 05 February 2020, concluded by SE Electrica SA and EFSA, which modifies the commercial conditions.
- On 07 April 2023, SE Electrica SA concluded with Sunwind Energy SRL the Loan Agreement no. 36, in amount of RON 1.8 mn. and validity until 06 April 2024, for the repayment of the shareholder's loan granted to Sunwind Energy by Mr. Emanuel Muntmark and payment of the invoice related to the development services provided by Monsson Alma SRL to Sunwind Energy SRL.
- On 13 June 2023, was signed the Additional Act no. 2 to Loan Agreement no. 40 dated 14 June 2022, concluded by SE Electrica SA and Societatea New Trend Energy SRL, which extends the validity until 13 June 2024.
- On 15 June 2023, was signed the Additional Act no. 1 to the Internal Treasury Convention no. 26 dated 05 February 2020, concluded by SE Electrica SA and SERV, which modifies the commercial conditions.

- On 19 June 2023, was signed the Additional Act no. 4 to the Loan Agreement no. 68 dated 27 October 2022, concluded by SE Electrica SA and Societatea GREEN Energy Consultancy& Investments SRL, which modifies the object of the contract.
- On 30 June 2023, SE Electrica SA concluded with DEER the Contract no. 54, valid until 31 December 2024, in order for ELSA to carry out, at DEER's request, the necessary steps with UniCredit Bank, in order for the bank to issue bank guarantees in amount of RON 187 mn..
- On 30 June 2023, was signed the Additional Act no. 1 to the Internal Treasury Convention no. 22 dated 05 February 2020, concluded by SE Electrica SA and DEER (formerly SDMN), which modifies the commercial conditions.
- On 30 June 2023, was signed the Additional Act no. 1 to the Internal Treasury Convention no. 23 dated 05 February 2020, concluded by SE Electrica SA and DEER (formerly SDTS), which modifies the commercial conditions.
- On 30 June 2023, was signed the Additional Act no. 1 to the Internal Treasury Convention no. 24 dated 05 February 2020, concluded by SE Electrica SA and DEER (formerly SDTN), which modifies the commercial conditions.
- On 30 June 2023, was signed the Additional Act no. 2 to the Internal Treasury Convention no. 23 dated 05 February 2020, concluded by SE Electrica SA and DEER (formerly SDTS), which modifies the commercial conditions.
- On 13 July 2023, SE Electrica SA concluded with EFSA the Transaction Agreement no. 57, which regulates contractual aspects in connection with four bank guarantees for which ELSA carried out, at EFSA's request, the necessary steps with the UniCredit Bank, in order for the bank to issue the bank guarantees.
- On 13 July 2023, was signed the Additional Act no. 1 to the Contract no. 61 dated 22 September 2022, concluded by SE Electrica SA and EFSA, by which the maximum amount for which ELSA will facilitate the obtaining of bank guarantees by EFSA, is increased for a limited period (until 20 September 2023) from RON 90 mn. to RON 101 mn., and the commercial conditions are modified.
- On 14 July 2023, was signed the Additional Act no. 1 to Loan Agreement no. 46 dated 15 July 2022, concluded by SE Electrica SA and Societatea Electrica Productie Energie SA, which extends the validity until 14 July 2024.
- On 11 August 2023 SE Electrica SA concluded with EFSA the Transaction Agreement no. 62, which regulates contractual aspects in connection with the amount used by EFSA based on the Internal Treasury Convention.
- On 08 September 2023, was signed the Additional Act no. 3 to Loan Agreement no. 40 dated 14 June 2022, concluded by SE Electrica SA and Societatea New Trend Energy SRL, which extends the amount of the facility up to RON 2.5 mn.
- On 25 September 2023, was signed the Additional Act no. 1 to Loan Agreement no. 63 dated 27 September 2022, concluded by SE Electrica SA and Societatea Sunwind Energy SRL, which modifies the clause regarding the purpose of granting the facility and extends the validity until 25 September 2024.

Guarantees offered by ELSA, for its subsidiaries and other third parties

Corporate guarantees within the credit facilities in force:

- On 16 April 2019, was signed the Credit Facility Agreement no. 111, concluded by SE Electrica SA, EFSA, SERV and BNP PARIBAS, in amount of RON 160 mn., amended by Additional Act no. 1, 2, 3 and 4, with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum

of RON 160 mn..

- On 25 June 2020, was signed Loan Agreement no. 76/8130/2020, concluded by DEER (SDTN) and BRD, in amount of RON 100 mn., amended by Additional Act no. 1, with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of RON 110 mn..
- On 25 June 2020, was signed the Loan Agreement no. 74/8130/2020, concluded by DEER (SDTS) and BRD, in amount of RON 80 mn., amended by Additional Act no. 1, with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of RON 88 mn..
- On 14 September 2020, was signed the Loan Agreement no. 20200911050, concluded by DEER (SDMN) and BCR, in amount of RON 155 mn., amended by Additional Act no. 1, with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of RON 170.5 mn..
- On 02 July 2021, was signed the Loan Agreement no. 52212, concluded by DEER and EBRD, in amount of RON 195.1 mn., with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of RON 246.3 mn..
- On 14 July 2021, was signed the Loan Agreement no. FI N° 92.394, concluded by DEER and BEI, in amount of EUR 120 mn., with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of EUR 144 mn..
- On 26 October 2021, was signed the Credit Facility Agreement no. 56, concluded by EFSA and Raiffeisen Bank SA, in amount of RON 150 mn., amended by Additional Act no. 1, 2, 3 and 4, with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of RON 150 mn..
- On 07 December 2021, was signed Loan Agreement no. FI N° 93.414, concluded by DEER and BEI, in amount of EUR 90 mn., with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of EUR 108 mn..
- On 24 December 2021, was signed the Credit Facility Agreement no. 61, concluded by EFSA and Raiffeisen Bank SA, in amount of RON 220 mn., amended by Additional Act no. 1, with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of RON 220 mn..
- On 24 December 2021, was signed the Credit Facility Agreement no. 148, concluded by EFSA and BNP PARIBAS, in amount of RON 220 mn., amended by Additional Act no. 1, with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of RON 242 mn..
- On 02 February 2022, was signed the Loan Agreement no. 11673879, concluded by EFSA and Banca Transilvania, in amount of RON 190 mn., amended by Additional Act no. 1, 2 and 3 with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of RON 209 mn..
- On 04 February 2022, was signed the Loan Agreement no. 17/8130/2022, concluded by EFSA and BRD, in amount of RON 220 mn., amended by Additional Act no. 1, 2 and 3 with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of RON 242 mn..
- On 18 February 2022, was signed the Credit Facility Agreement no WB/C/14, concluded by EFSA and ING Bank, in amount of EUR 34.3 mn., amended by Additional Act no. 1, 2, 3 and 4 with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of EUR 37.7 mn..

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- On 25 March 2022, was signed the Credit Facility Agreement no. WB/C/379, concluded by DEER and ING Bank, in amount of RON 205 mn., amended by Additional Act no. 1, 2 and 3 with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of RON 225.5 mn..
- On 15 April 2022, was signed the Credit Facility Agreement no. 20220406018, concluded by EFSA and BCR, in amount of RON 220 mn., amended by Additional Act no. 1 with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of RON 242 mn..
- On 19 May 2022, was signed the Loan Agreement no. GRIM/43778/CSC, concluded by EFSA and Unicredit Bank SA, in amount of EUR 60.8 mn., amended by Additional Act no. 1 with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of EUR 66.9 mn..
- On 06 September 2022, was signed the Loan Agreement no. 350, concluded by EFSA Alpha Bank, in amount of EUR 60 mn., amended by Additional Act no. 1 with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of EUR 60 mn..
- On 22 December 2022, was signed the Loan Agreement no. 1218, concluded by DEER and EXIM BANK, in amount of RON 250 mn., with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is maximum of RON 325 mn..
- On 27 December 2022, was signed the Credit Facility Agreement no. 165, concluded by EFSA and BNP Paribas, in amount of RON 240 mn., with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of RON 264 mn..
- On 20 February 2023, was signed the Loan Agreement no. 49183 concluded by DEER and GarantiBBVA, in amount of RON 103 mn., with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of RON 103 mn..
- On 17 March 2023, was signed the Loan Agreement no. 53747 concluded by DEER and EBRD, in amount of RON 180 mn., with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of RON 234 mn..
- On 04 August 2023 was signed the Multicredit Facility Agreement no. RQ23079467247483 concluded by EFSA and CEC Bank, in amount of RON 150 mn., with SE Electrica SA as guarantor (corporate guarantee). The value of the guarantee, which is not a real guarantee, is a maximum of RON 150 mn..

On 30 September 2023, the value of the corporate guarantees (which are not real guarantees), established by ELSA within the credit facilities, is RON 5,457.7 mn..

Parent Corporate Guarantees

- On 01 September 2021, the Parent Corporate Guarantee in amount of RON 29 mn., amended on 04 November 2021, was established in favor of EFSA, having as beneficiary ENGIE ROMANIA SA, validity date 31 January 2024.
- On 11 November 2021, the Parent Corporate Guarantee in amount of RON 4.9 mn., was established in favor of EFSA, having as beneficiary AXPO ENERGY ROMANIA SA, in amount of RON 4.9 mn., validity date 31 January 2024.

- On 15 December 2021, the Parent Corporate Guarantee in amount of RON 14.5 mn., was established in favor of EFSA, having as beneficiary MVM PARTNER, validity date 29 February 2024.
- On 16 May 2022, the Parent Corporate Guarantee in amount of RON 14.3 mn., was established in favor of EFSA, having as beneficiary AXPO BULGARIA EAD, validity date 31 January 2024.
- On 14 December 2022, the Parent Corporate Guarantee in amount of RON 62.1 mn., was established in favor of EFSA, having as beneficiary COMPLEXUL ENERGETIC OLTENIA, validity date 15 February 2024.
- On 28 December 2022, the Parent Corporate Guarantee in amount of RON 118.8 mn., was established in favor of EFSA, having as beneficiary COMPLEXUL ENERGETIC OLTENIA, validity date 15 February 2024.
- On 29 December 2022, two Parent Corporate Guarantees in amount of RON 1.9 mn. each, were established in favor of EFSA, having as beneficiary BIOENERGY SUCEAVA, validity date 25 January 2024.

On 30 September 2023, the value of the Parent Corporate Guarantees (which are not real guarantees), constituted by ELSA in favor of EFSA, is RON 247.5 mn..

Litigations

- ***Case no. 1221/1285/2022***

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

On 02 May 2023, Cluj Court of Appeal found Eurototal Comp's recourse to be null, the decision being final.

- ***Case no. 1100/1/2023***

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

The annulment appeal was registered under no. 1100/1/2023 of the High Court of Cassation and Justice, with term on 16 November 2023.

The file no. 3889/2/2018 has as object the annulment of the Competition Council Decision no. 77/20.12.2017, and in the alternative, the reduction of the fine established for ELSA up to the minimum legal level of 0.5% of ELSA's turnover, by re-individualizing the alleged anti-competitive act, with the retention and full capitalization of all mitigating circumstances applicable to ELSA. By the Decision of the Competition Council no. 77/20.12.2017 was found the breaching of the provisions of art. 5 par. (1) of the Competition Law no. 21/1996 and art. 101 par. (1) TFEU by several companies which have sold meters and related measuring equipment for electricity in Romania, in the procedures for the award of supply contracts in the period from 27 November 2008 to 30 September 2015 and by Electrica, as a facilitator, in the period from 24 November 2010 to 30 September 2015.

The sanction applied to Electrica consists in a fine amounting to RON 10,800,984.04 (paid by ELSA), representing 2.98% of the total turnover achieved in the financial year 2016. In determining the amount of the fine, it was taken into account that (i) Electrica cooperated fully and effectively with the Public Competition Council during the investigation procedure, outside the scope of the leniency policy and beyond the legal duty to cooperate, and (ii) it is for the very first time when the authority retains the role of facilitator for a company organizing public procurement procedures. On the merits of the case that was the subject of file 3889/2/2018, by Sentence no. 707/25.02.2019, the Bucharest Court of Appeal rejected the annulment action as unfounded, and the High Court of Cassation and Justice rejected the appeal declared by ELSA against the above sentence.

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

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

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

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

- **Case no. 7614/2/2018**

On 16 May 2023, the High Court of Cassation and Justice definitively resolved case no. 7614/2/2018 and dismissed the claim.

The file had as object the cancellation for partial revocation of the Tariff Pricing Methodology for Electricity Distribution Service, approved through the ANRE President Order no. 169/2018, as regards Art. 5 RAB definition, art. 18-19, art. 26, art. 33-34, art. 39, art. 43-44, art. 47-49, art. 54-57, art. 64, art. 67-68, art. 93-94, art. 103, art. 107, art. 126 paragraph 1, art. 129 of the Methodology approved through the Order and issuing a new Order, taking into account the observations submitted by the companies.

- **Case no. 6665/3/2019**

The High Court of Cassation and Justice cancelled as unfounded the appeal declared by EFSA against civil decision no. 1492 of 07 October 2022, pronounced by the Bucharest Court of Appeal in file no. 6665/3/2019. The ruling pronounced is final.

We mentioned that the claims requested by EFSA amounted RON 6,232,398.04, representing claims according to the Decision of the Court of Accounts no. 11/2016 and the Inspection Report of the Court of Accounts no. 5799/29Nov2016 and also the legal interest namely: the amount of RON 793,234.07 representing the legal interest calculated from the date when Electrica S.A. collected the sums of money (the total amount of which is RON 6,232,398.04) until 31 March 2019, the legal interest calculated from 31 March 2019 until the date of execution of an enforceable court decision and the legal interest calculated from the date of the enforceable court decision up to the date of effective payment by Electrica S.A. of the principals debit in the amount of RON 6,232,398.04. By the decision no. 2336 of 1 October 2021, the Bucharest Tribunal rejected as unfounded the request filed by EFSA and by the decision no. 1492 of 7 October 2022, the Bucharest Court of Appeal rejected as unfounded the appeal filed by EFSA against the decision of the Bucharest Tribunal.

- **Case no. 2229/2/2017***

On 6 July 2023, Bucharest Court of Appeal partially admitted the claim made by Electrica and partially annulled the Resolution no. 12/27.02.2017 and the Decision no. 12/27.12.2016, issued by the Romanian Court of

Accounts, regarding the following deviations from the Decision (respectively to the correlative measures): - annulled item 1 (measure II.3) - The hiring of funds in the estimated amount of RON 224,622,940 (without VAT), for the execution of works related to the objective "AMR system necessary for the measurement activity and consumption dispatcher at Electrica SA level", for which the purchased goods, although they were highlighted in the accounting, are not physically found in the patrimony nor were they used for the activities carried out according to the object of activity, being necessary for the performance of the activity of other legal entities (the company's subsidiaries); - annulled item 2 (measure II.4) - The unjustified increase in the expenses with technical assistance services in the estimated amount of RON 2,337,657.50 (without VAT), intended for carrying out the activities of other legal entities (the distribution subsidiaries); - annulled item 3 (measure II.5) - Unjustified increase in operating expenses with the amount of RON 74,667.60 (without VAT), representing maintenance services for the equipment located in the communications infrastructure of the subsidiaries, which are separate legal entities; - annulled item 4 (measure II.6) – Unjustified increase in operating expenses with services in the estimated amount of RON 273,500 (without VAT), for which proof of their provision for the exclusive needs of the company was not provided, respectively with the value of 4 technical studies purchased for activities that are not found in the object of activity of the verified entity, being related to activities belonging to other legal entities (electricity distribution subsidiaries), without being invoiced to the subsidiaries for the recovery of the expense. The four studies are related to the electricity distribution activities carried out by the electricity distribution subsidiaries (Transilvania Sud, Muntenia Nord and Transilvania Nord), which are organized as separate legal entities, activating in a field in which the entity (Electrica) is not licensed by ANRE to carry out activities, nor does it own such electricity distribution networks; - partially annulled item 5 (measure II.7), for the rent exceeding the period 17 July 2013-01 September 2013, the measure being maintained for the rent related to the period 17 July 2013- 01 September 2013 - Making payments, during July 2013 - June 2014, in the estimated amount of RON 36,385, for expenses without a legal basis, respectively for expenses with the rent of a building classified as company housing for the benefit of the CEO, considering that the housing was not granted in accordance with the law; - annulled item 6 (measure II.8) - Unjustified increase in expenses amounting to RON 2,400, representing land valuation services, engaged in the same year, several times, with the same appraiser, for the same patrimonial elements; - annulled item 7 (measure II.9) - Non-compliance with the legal provisions regarding good management in the use of funds, respectively the employment of services at overvalued prices by awarding a service contract to an economic operator who presented a price offer higher than those of other competitors.

Also, the head of claim regarding the extension of the implementation deadlines was rejected as unfounded and it was noted that the plaintiff reserved the right to submit a separate claim for the legal expenses incurred in the case.

The file no. 2229/2/2017* on the docket of the Bucharest Court of Appeal has as its object, mainly, the partial annulment of the Court of Accounts' Decision no. 12/27.12.2016, issued by the director of Directorate 2 within Department IV, respectively: regarding the irregularities found to be Electrica's responsibility in the contested Decision, items 1 to 8, with the consequence of removing the measures ordered in items 1, 3 to 9 inclusively; the partial cancellation of the Court of Accounts' Resolution no. 12/27.02.2017 through which Electrica's appeal against the Court of Accounts' Decision no. 12/27.12.2016 was rejected, respectively regarding the irregularities and the ordered measures, and additionally the extension with at least 12 months of the deadlines for the fulfilment of all the measures ordered to Electrica through Decision no. 12/27.12.2016.

The decision was appealed by both parties, being in filter proceeding at the High Court of Cassation and Justice.

▪ Case no. 1927/2/2019

Electrica's subsidiary, Electrica Furnizare S.A. (EFSA), was introduced in the case which is the object of the file no. 1927/2/2019 (Bucharest Court of Appeal) as a forced intervener (defendant). EFSA was summoned for the term of 23 October 2023. The object of the court file no. 1927/2/2019 is the request submitted by SPEEH Hidroelectrica S.A. against ANRE, through which SPEEH Hidroelectrica S.A. requested: i. the partial annulment of the ANRE President's Decision no. 324/25.02.2019 regarding the establishment of regulated prices for delivered electricity and quantities of electricity sold based on regulated contracts between 1 March 2019 and 31 December 2019 by SPEEH Hidroelectrica S.A.; ii. issuing a Decision approving the regulated price for the electricity sold by SPEEH Hidroelectrica, between 1 March 2019 and 31 December 2019, based on regulated contracts concluded with suppliers of last resort in compliance with legal provisions; iii. the payment to Hidroelectrica of the amounts representing the damage suffered as a result of the effects of the ANRE President's Decision no. 324/25.02.2019, the amount to which is added the legal interest related to the loss suffered, damage related to the period 1 March 2019 to 31 December 2019.

We mention that ANRE requested the introduction in the case as forced interventionist of the following last resort suppliers: Cez Vanzare S.A., Enel Energie S.A. (with the licensed areas Banat and Dobrogea), Enel Energie Muntenia S.A., E.ON Energie Romania S.A., Electrica Furnizare S.A. (with its branches Electrica Furnizare Muntenia Nord, Electrica Furnizare Transilvania Sud, Electrica Furnizare Transilvania Nord), and the court admitted the request to bring the suppliers of last resort into the case. At the time of this announcement, the litigation is in the evaluation process within the legal department.

From a preliminary analysis of the Legal Department: (i) of Hidroelectrica's claims, it results that for the contracts concluded with Electrica Furnizare, the differences would be to approximately 77.85 million lei; (ii) in relation to the claims from the legal action, it turns out that for Electrica Furnizare, in the situation in which the court would order the obligation of ANRE to issue a new Decision regarding the regulated price for the energy purchased by Electrica Furnizare from SPEEH Societatea Energetica Electrica S.A. 9, Grigore Alexandrescu str. 010621 District 1, Bucharest, Romania Phone: 021-208 59 99; Fax: 021-208 59 98 Fiscal Registration Certificate RO 13267221 J40/7425/2000 Share capital: 3.464.435.970 LEI www.electrica.ro Public Hidroelectrica in the period 1 March 2019 – 31 December 2019 on the basis of regulated contracts, because this court decision, doubled by the issuance of a new ANRE Decision, could lead to the triggering of other litigations regarding the status of these contracts and in relation of the regulated price differences. According to what was presented by SPEEH Hidroelectrica, in the public offer prospectus in June 2023: "The resolution of the case (1927/2/2019) is significantly influenced by the decision pronounced by the court for the appeal filed by Hidroelectrica against ANRE Order no. 10/2019 regarding the approval of the pricing methodology (file no. 1170/2/2019). Because the appeal that was the subject of file no. 1170/2/2019, was rejected by the final decision of the High Court of Cassation and Justice, Hidroelectrica anticipates that the decision in file no. 1927/2/2019 will be unfavorable".

In the event that, following the analysis carried out by the legal department, additional information will result that will lead to a different conclusion on the possible outcome of the litigation, Electrica will inform the shareholders and investors.

GEO with impact on subsidies

Following the adoption of Ordinance no. 30 of 10 August 2023, the Ministry of Finance is authorized to fund the account provided for in GEO no. 27/2022 regarding some of the measures applicable to end customers on 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, approved with modifications and additions by Law no.

206/2022, with the amounts corresponding to the solidarity contribution collected in 2023, within 3 working days from the date of entry into force of the ordinance. According to her, the Group expects an increase in the subsidy recovery rate.

Investments

At the end of the third quarter of 2023, the operator Distribuție Energie Electrica Romania (DEER) made and put into operation investments amounting to RON 324.9 mn., representing 42,5% of the value of the commissioning program planned for 2023 (RON 764 mn., of which RON 628.4 mn. plan for 2023, and RON 135.6 mn. values related to 2022 plan); RON 162.4 mn. from 2023, RON 95.2 mn. recoveries related to 2022 and RON 67.2 mn. additional works compared to the 2023 plan, resulting from legislative changes regarding the connection. For the accomplishment of some additional works compared to the plan, for the connection of the users, expenses of RON 52.4 mn. were estimated in CAPEX, taking into account the legal provision of Electricity and natural gas law no. 123/2012 with all its subsequent amendments and corrigenda, as well as the regulations for grid connection, modified by ANRE orders no. 17, 18 and 19/2022.

2.2. Subsequent events

Below are presented the relevant events that took place at the Group level in the period between the closing of Q3 2023 and the date of the present report.

Decisions of the ELSA's BoD

- a. On 3 October 2023, Electrica's Board of Directors convened the Extraordinary General Meeting of Shareholders of Societatea Energetica Electrica S.A., on 23 August 2023, with the main subjects on the agenda:
 - Increasing of ceilings in the financing contracts for the subsidiaries DEER and EFSA, with the guarantee provided by Electrica;
 - Amendment through an addendum of some clauses and interest margin in the financing contract with the European Investment Bank (EIB);
 - Amendment of the Articles of Association by adding two new activities to the secondary activities of the company.
- On 30 October 2023, Electrica's Board of Directors convened the Ordinary and the Extraordinary General Meetings of Shareholders of Societatea Energetica Electrica S.A., on 20 December 2023, with the main subjects on the agenda:
 - Approval of the separate financial statement as at 30 September 2023, drafted for the purpose of the merger;
 - Election of an independent member of the Board of Directors;
 - Approval of the merger by absorption between Electrica (ELSA), Electrica Productie Energie SA (EPE), Electrica Energie Verde 1 SRL (EEV) and Green Energy Consultancy & Investments SRL (GECI), with Electrica (ELSA) as absorbing company.

Other relevant events

- On 25 October 2023, Electrica published the Interim Key Operational Indicators for Q3 2023.
- On 26 October 2023 Electrica informed its investors about the publication on portal.just.ro of information on the file no. 724/1285/2023, regarding the filing by Eurototal Comp SRL Bucharest (EC) of an application for the opening of insolvency proceedings against Electrica SA, Distribuție Energie Electrica Romania SA (DEER).

Transactions with related parties

During 2023, until 30 September 2023, ELSA published 19 announcements, according to art. 108 of Law no. 24/2017, reporting transactions concluded in this period between EFSA - OPCOM, DEER - EFSA, EFSA - Transelectrica, DEER - OPCOM and DEER - Hidroelectrica, whose cumulated value in the case of each announcement case exceeds the threshold of 5% of ELSA's net assets, calculated on the basis of Electrica's latest available individual financial statements.

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

After 30 September 2023, Electrica published 3 current reports according to art. 108 of Law no. 24/2017, reporting transactions concluded between DEER – Hidroelectrica, EFSA – OPCOM and DEER-EFSA.

On 31 July 2023, Electrica informed the shareholders of the date of publication of the independent limited assurance report of the financial auditor on the transactions reported by Electrica in the period from 1 January to 30 June 2023, in accordance with the provisions of Article 108 of Law 24/2017.

Also, on 11 August 2023, Electrica published the Auditor's report regarding the transactions reported in H1 2023 according to Art. 108 Law 24/2017 (R).

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

Subsequent issues related to the Treasury**Loans related to third-parties**

- On 02 November 2023 was signed the Additional Act no. 1 to the Loan Agreement dated 03 November 2021, concluded by SE Electrica SA with Erste Group Bank AG and Raiffeisen Bank SA as Borrower, which decreases the facility amount from RON 750 mn. to RON 450 mn. and extends the validity of Facility Agreement until 03 November 2024.

Intragroup Loans

- On 09 October 2023, was signed the Additional Act no. 4 to Loan Agreement no. 40 dated June 14, 2022, concluded by SE Electrica SA and Societatea New Trend Energy SRL, which modifies the clause regarding the purpose of granting the facility.
- On 11 October 2023 SE Electrica SA concluded with Foton Power Energy SRL the Loan Agreement no. 73, in amount of RON 2.6 mn. and validity until 10 October 2024, in order to finance the working capital.
- On 17 October 2023, was signed the Additional Act no. 5 to Loan Agreement no. 68 dated 27 October 2022, concluded by SE Electrica SA and GREEN ENERGY CONSULTANCY & INVESTMENTS SRL, which modifies the clause regarding the purpose of granting the facility and extends the validity until 26 October 2024.
- On 24 October 2023, was signed the Additional Act no. 5 to Loan Agreement no. 40 dated 14 June 2022, concluded by SE Electrica SA and Societatea New Trend Energy SRL, which extends the amount of the facility up to RON 7.6 mn. and modifies the clause regarding the purpose of granting the facility.
- On 24 October 2023, was signed the Additional Act no. 1 to Loan Agreement no. 73 dated 10 November 2022, concluded by SE Electrica SA and Societatea Sunwind Energy SRL, which modifies the commercial conditions and extends the validity until 25 October 2024.

Litigations

- **Case no. 724/1285/2023**

Following the appearance on portal.just.ro of information on the file no. 724/1285/2023, regarding the filing by Eurototal Comp SRL Bucharest (EC) of an application for the opening of insolvency proceedings against Electrica SA, Distributie Energie Electrica Romania SA (DEER), Electrica makes the following clarifications: Between the distribution subsidiary of Electrica SA, DEER, as Contracting Entity – Beneficiary and the company EC, as Supplier, the Sectoral Product Contract no. 5003/28Sep2022 – for the supply of "Hygienic and sanitary materials: hand cream, hand washing paste, nail brush, to-el, soap, toilet paper" was carried out, the contract price being RON 1.074.973 plus VAT.

On 28 December 2022, the Specialized Court of Cluj registered EC's request for the opening of insolvency proceedings against DEER – file no. 1221/1285/2022. After the communication of the request, DEER proceeded to pay the allegedly due amounts. We remind that Electrica informed investors about the file 1221/1285/2022 from December 2022 through the current report of 3 January 2023.

The Cluj Specialized Court, by Judgment no. 74/12Jan2023, took note of the waiver of the creditor EC to the judgement of the application for the opening of insolvency proceedings filed against DEER SA, the decision remaining final by Decision no.115/02May2023 pronounced by the Cluj Court of Appeal.

Subsequently, within the framework of the file no. 133/117/2023*, DEER requested the reimbursement of the not due payments and accessories and also issued a negative certificate of verification as a result of the non-fulfilment of contractual obligations by the company EC. By Judgment no. 2227/17Oct2023 the court admitted DEER's claim. The decision can be appealed within 15 days from the communication. Subsequent to this judgment, EC made a partial payment of the amount it was obliged to pay.

In case no. 621/117/2023, in which the EC challenged the legality of the negative certificate of verification, the court ruled as follows: "it can be clearly seen that the payment was made as an immediate consequence of the formulation of a petition for the opening of insolvency proceedings against the defendant, because immediately after the formulation of this petition to the court, the defendant paid the countervalue of the invoices related to the hand cream, including the penalties claimed by the claimant, although through all communications between the parties previously issued, it refused to pay the countervalue of the hand cream for the reasons shown. For these reasons, since it is clear from the evidence submitted that the applicant has improperly performed the contractual obligations assumed under the sectoral contract for products No 5003/28Sep2022, the document contested in the present case was duly issued, so that the applicant's claim is unfounded". Judgment no. 636/20Mar2023 remained final by decision no. 6/25May2023 pronounced by the Cluj Court of Appeal.

On 25 October 2023, a new insolvency file was registered with the Cluj Specialized Court, under number 724/1285/2023, by EC.

At this moment, the application for the opening of the insolvency proceedings has not been communicated to DEER, but considering the data available up to this moment, it results that EC's approach to file the application for the opening of the insolvency proceedings is not justified.

Subsidies receivables

After the reporting date, requests were submitted to the state authorities in the amount of RON 695.2 mn. for the previous period until 30 September 2023, under GEO 27/2022 applicable with subsequent amendments.

2.3. Applicable significant regulatory framework

Distribution segment

For the **distribution segment**, the significant changes in the Romanian legislation were detailed at *Appendix 10.2.1*. Based on these changes, the expected effects refer to:

- GEO no. 119/2022 for the amendment and completion of GEO no. 27/2022 *regarding the measures applicable to final customers in the electricity and natural gas market in the period 1 April 2022—31 March 2023, as well as for the modification and completion of some normative acts in the field of energy* - in force starting from 1 September 2022: (i) the additional costs with the purchase of electricity, made between 1 January 2022 and 31 August 2023, in order to cover the NL, compared to the costs included in the regulated tariffs (and not only the loans), are capitalized quarterly, RRR = 50% of the RRR applicable to each periods; (ii) electricity producers have the obligation to sell electricity available for delivery until 31 December 2022, through direct negotiated contracts starting on 1 September 2022, only to electricity suppliers that have final customers in their portfolio, intended exclusively for consumption to them, DO, TSO and consumers who have benefited from the provisions of GEO nr. 81/2019; GEO no. 119/2022 was approved and amended by Law 357/2022, application period 1 January 2023 – 31 March 2025.
- GEO no. 153/2022 for the amendment and completion of GEO no. 27/2022 *regarding the measures applicable to final customers in the electricity and natural gas market in the period 1 April 2022-31 March 2023, as well as for the amendment and completion of some normative acts in the field of energy and the amendment of the GEO no. 119/2022 for amending and supplementing the GEO no. 27/2022 regarding the measures applicable to final customers in the electricity and natural gas market in the period 1 April 2022-31 March 2023, as well as for the modification and completion of some normative acts in the field of energy*. (i) **in the period 1 January 2023-31 March 2025** the mechanism for the centralized purchase of electricity is established; (ii) OPCOM is designated as the sole purchaser, it buys the electricity from the planned producers and sells the purchased electricity to the electricity suppliers who have contracts concluded with final customers, the electricity transport and system operator and the electricity distribution operators, for covering the own technological consumption of the networks operated by them. DO can buy from OPCOM through an annual/monthly mechanism 75% of the amount of NL forecasted and validated by ANRE at the price of 450 RON/MWh, and producers can sell to OPCOM through an annual/monthly mechanism 80% of the amount produced forecasted and validated by ANRE and Transelectrica at the price of 450 RON/MWh. GEO no. 153/2022 was approved and amended by Law 206/2023.
- ANRE order no. 129/2022 for the approval of the *Methodological Norms for the recognition in tariffs of the additional costs with the purchase of electricity to cover the own technological consumption compared to the costs included in the regulated tariffs, application period 1 January 2022 – 31 August 2023* - (i) the quarterly capitalization of the additional costs with NL compared to the costs included in the regulated tariffs; (ii) the capital costs related to the year 2022 are recognized in a distinct component related to the additional cost with NL applicable starting on 01 April 2023, outside the 7% limitations imposed for tariff increases; (iii) the recognized NL price for 2022 will be equal to the reference price calculated as an average among network operators, increased by 5%; (iv) the additional cost with NL capitalized in 2023 will be included in the separate NL component applicable in 2024.
- ANRE order no. 79/2023 regarding the modification and completion of the *Methodology for establishing tariffs for the electricity distribution service*, approved by ANRE Order no. 169/2018 with the following changes: (i) The year 2024 represents the transition period from the fourth period (PR4) to the fifth regulatory period (RP5); (ii) The target income of the DO for the year 2024 is established according to the

Methodological Norms that complete the Methodology (Annex 1[^]1); (iii) In 2024, ANRE will approve for DEER regional distribution tariffs established on the basis of a single regulated income and a single NL target; (iv) The forecast for NL price for the year 2024 is calculated as a weighted average considering 75% the price approved by MACEE and 25% the DAM price for May 2023; (v) The value of the RAB achieved on 31 December 2023 will be calculated in 2024, and the DO will transmit to ANRE, until 31 May 2024, the net accounting value of the fixed assets included in the RAB on 31 December 2023; (vi) The regulated rate of return for the year 2024 is maintained at the value of 6.39%; (vii) The inflation corrections related to RP4 will be calculated in 2024 and added to the target income of 2025, which represents the first year of RP5; (viii) The deadline for submitting to ANRE the documentation substantiating the tariffs and the investment program for the year 2024 is 15 August 2023.

- OD sent to ANRE the data for monitoring the simulation of the application of binomial tariffs for the year 2022 until 31 March 2023.
- The modification of the *Investment Procedure* by ANRE Order no. 6/2023 considers the recognition of DO investments in energy storage and production for control and NL: (i) inclusion in the category of justifiable investments of energy production installations from renewable sources for NL supply and control consumption from the station; (ii) the inclusion in the category of necessary investments of electricity storage facilities; (iii) the possibility for DO to own storage facilities, by way of exception from the provisions of the Energy Law (art. 46[^]1 para. (1)), only with prior approval by ANRE; (iv) establishing the method of calculating the economic efficiency of investments in production/storage, to be recognized by ANRE.
- The *Methodology for the evaluation of investments in projects of common interest* (PCI) approved by the ANRE Order no.1.2023 is modified as follows: (i) expanding the scope of the Methodology for DO investments (in addition to TSOs), (ii) granting a 1% RRR incentive for PCI, (iii) expanding the scope of the type of PCI from electric transmission networks, to: a) electrical transmission and distribution networks; b) offshore networks for energy from renewable sources; c) projects that integrate innovative technical solutions and which, although they have low capital costs, involve significant operating costs. The Methodology for establishing distribution tariffs was also modified by granting the RRR incentive of 2% for investments from EU funds only if they did not benefit from the PCI incentive.

Supply segment

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

Starting from 01 November 2021, against the background of the increase in the price of energy and natural gas on the international and national markets, the energy crisis, as well as the effects caused by these increases in the population, in Romania, a series of support schemes have been applied to consumers of electricity and natural gas, by establishing compensation and capping schemes between 01 November 2021 and 31 March 2025. Among the legislative changes with a significant impact on the energy supply activity, we mention:

- price capping for domestic and non-domestic consumers (01 November 2021-31 March 2025);
- The compensated amounts will be received from the National Agency for Payments and Social Inspection ("ANPIS") for household consumers and from the Ministry of Energy for non-household consumers.
- Limitation of the average purchase price considered for determining the amounts to be recovered from the state budget to 900 RON/MWh change according to Law 206/2023;

- Limitation of the permitted supply component to:
 - Electricity – SoLR 80 RON/MWh and non-SoLR 73 RON/MWh;
 - Natural Gas – SoLR 13.5 RON/MWh and non-SoLR 12 RON/MWh.
- contribution to the *Energy Transition Fund* for suppliers who carry out trading activities and aggregators who trade quantities of electricity and/or natural gas on the wholesale market = (Average selling price – Average purchase price x 1.02) x Q delivered monthly
- Between 01 January 2023 and 31 March 2025, the Centralized Electricity Purchase Mechanism (MACEE) is established. The mechanism stipulates that OPCOM, as the sole purchaser, buys electricity from producers (electricity producers with an installed power equal to or greater than 10 MW) and sells the purchased electricity to electricity suppliers who have contracts with end customers, the operator of the electric energy transport system and the operators of the electric energy distribution system to cover their own technological consumption. The price paid by OPCOM to energy producers, for the quantities of electricity sold, is 450 RON/MWh, and OPCOM's selling price to economic operators is also 450 RON/MWh (OPCOM has the right to charge market participants tariffs/commissions at the level of costs recorded through the organization of the centralized mechanism for purchasing electricity). In order to carry out the transactions, OPCOM will organize an annual purchase procedure, as well as an additional monthly purchase procedure, for the quantities of electricity to be delivered in the following month; the annual and monthly quantities of electricity are firm obligations of electricity producers and economic operators for all disconnection intervals every month (contracts are concluded by signing, within a maximum of 3 working days).
- the obligation of natural gas producers to sell at the price of 150 RON/MWh the quantities necessary to supply household customers/heat energy producers.
- obligation to store natural gas underground of a minimum stock of natural gas at the level of 90% of the storage capacity of the warehouses. The minimum stock of natural gas for each supplier is determined according to the weight of the quantity of each supplier in the total quantity estimated at the national level (ANRE Order 10/2023).

Green certificates

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

The impact of the increase in energy prices

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

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

The Group actively reviews and implements policies and strategies to recover from the loss generated by the increase in energy price, strategies which mainly aim in revising the method of generating the selling price for final consumers, concluding agreements with specific clauses ensuring new financing facilities, closely monitoring suppliers and consumers payment terms, monitoring daily cash flow and forecasted cash flow. The Group continues to closely monitor the macroeconomic outlook and as additional information will be available, their effects on the activity of

Group companies and over the financial results will be analyzed.

2.4. Summary of financial indicators

A summary of the main financial indicators is presented below:

- In the nine months period ended 30 September 2023, EBITDA increased by RON 148.8 mn. as compared with the same period of 2022, recording a positive value of RON 1,252.9 mn. vs positive value of RON 1.104.1 mn. in previous year.
- The capital expenses in 9M 2023 were of RON 750.0 mn., increasing by approx. 83.5%, compared to RON 408.7 mn. in 9M 2022, in line with the annual evolution of the approved investment plans and the investment plan allocation throughout the year.
- The operating profit in 9M 2023 is of RON 712.5 mn., recording a slightly decrease of 2.7% as compared with the same period of the previous year, when the Group recorded an operating profit of RON 732.3 mn..
- The cost of electricity purchased decreased by RON 873.7 mn., or 11.3%, to RON 6,854.0 mn. in the nine months period ended 30 September 2023, compared to RON 7,727.7 mn. recorded in the comparative period, mainly due to the decrease in electricity costs for NL coverage with 47.9% for the distribution segment as a result of the implementation of MACEE to which is added the increase in the electricity purchase price on the supply segment by 20%.

The most important segments of Electrica both from profitability and revenues point of view are presented below:

Distribution segment

- Revenue from the distribution segment increased by RON 673.9 mn., or 27.4%, to RON 3,135.6 mn. (out of which RON 1,820.1 mn. external revenues), compared to 9M 2022; the contribution of the electricity distribution segment to the Group's consolidated revenue is of 25.4%.
- EBITDA for the distribution segment increased by RON 230.0 mn., respectively 28.3%, to RON 1,041.3 mn. at 9M 2023 from RON 811.3 mn. in the same period of 2022.
- Net profit for the 9M of 2023 is RON 305.0 mn., recording a slightly decrease of RON 8.8 mn. compared to the same period of 2022 (RON 313.8 mn.).

Supply segment

- In 9M 2023, the revenue from the electricity supply segment decreased by RON 608.8 mn. y-o-y, or 10.2%, to RON 5,343.8 mn. (out of which RON 5,304.4 mn. external revenues), mainly as a result of net effect of rising selling prices with 5% and the decrease in the volumes of electricity distributed by approx. 10%; the contribution of the electricity supply segment to the Group's consolidated revenue is in proportion of 74.1%.
- EBITDA for the supply segment decreased by RON 103.5 mn., respectively 31.7% to RON 223.0 mn. at 9M 2023 from RON 326.5 mn. in the same period of 2022.
- Net profit for the 9M of 2023 is RON 78.5 mn., recording a decrease of RON 160.2 mn. compared to the same period of 2022 (RON 238.7 mn.).

2.5. Risks and uncertainties

Risks and uncertainties present on 30.09.2023 and aspects regarding the main risks and uncertainties that could affect the Group's activity and its liquidity in the next quarter of 2023:

Risk description	Mitigation risk actions
<p>Poly-crisis</p> <ul style="list-style-type: none"> The current global context, but also the European one, indicates that a series of crises caused by a series of factors (pandemic, inflation, interest rate, extreme weather phenomena, earthquakes, wars, etc.) can become interdependent and extremely viral through the impact which they can show in the economic environment. Until now, there is no system that allows the integrated management of all scenarios that can be taken into consideration for analysis. 	<ul style="list-style-type: none"> A large part of the mentioned factors have already manifested themselves, independently or together, in recent years, even on the territory of Romania. The concern of the Electrica SA management is to build the optimal resilience mechanisms for the specific activity in which the company and its holdings carry out their activity. Among the measures taken: the transition to an integrated group (including the production of renewables in the portfolio) and the testing of unfavorable development scenarios through analyzes of specific risk scenarios.
<p>Market risk</p> <ul style="list-style-type: none"> Market risk arises as a result of changes in energy and natural gas prices, benchmark interest rates, such as equity prices, interest rates or exchange rates. All of these can impact the Electrica Group's revenues or the value of its holdings. At Group level, market risk can manifest itself at the distribution level (DEER) through price increases in the market, i.e. volatility in the price of purchased energy (with financial impact), termination of contracts by suppliers and bottlenecks in supply chains. At the level of the supply activity (EFSA) it is manifested by the risk of lack of energy sales offers on the forward markets (volume risk) resulting in higher prices on these markets as well as the appearance in the portfolio of excess exposures (excess long positions/deficit short positions) at hourly, daily and weekly, band, peak and off-peak levels, in a fluctuating bullish/bearish trend. 	<ul style="list-style-type: none"> At the level of the distribution activity (DEER), the measures taken to mitigate the risks aim at improving the forecast of own technological consumption (NL) and the conclusion of bilateral contracts. Market risk management policies, procedures and tools are implemented at the supply activity level to manage and control exposures in the electricity and gas markets. These measures relate to: increasing the effectiveness of consumption forecasting by profiling hourly sales forecast with both consumption forecast and real consumption as accurately as possible, calculation formulas and algorithms, which state the effective way of adjustment of each input data for determining the consumption forecast, applying hedging strategy, identifying market trend in pricing, monitoring sources of information on the evolution of prices in the region for the products of interest. Electrica SA started the process and successfully completed, in Q3, the certification for the implementation of ISO 50001 Energy Management Systems in order to improve service delivery and resource efficiency.
<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. In the supply business, counterparty risk arises when a counterparty fails to meet its obligations in accordance with the agreed terms. This risk leads to the materialization of other new risks, i.e. replacement risk or price risk. In the distribution activity (DEER), the counterparty risk manifests itself in the possible non-fulfilment by the contracting party of the contractual conditions of payment or delivery of services and/or delivery of goods, works (including maintenance). 	<ul style="list-style-type: none"> The management monitors and examines the current exposure, credit limits and counterparty ratings, established provisions. The measures taken by the subsidiaries to mitigate this risk are adapted to the risks identified regarding counterparties. Thus, for supply, the aim is to mitigate this risk by diversifying energy sources, reducing the level of contracted quantities per contract, limiting exposure by entering multiple contracts, reducing trading limits with counterparties with which EFSA has EFET contracts and which have a low rating from a risk management perspective, questioning partners on the credit limits granted. For distribution, the measures that DEER is pursuing relate to the inclusion in contracts (energy, construction) of clauses covering specific activities, insurance/reinsurance by type of contract, prevention of entering contracts with unsound suppliers, efficient and transparent internal communication on incidents and their reporting. 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.
<p>Liquidity risk</p> <ul style="list-style-type: none"> Liquidity risk represents the risk that Electrica will not be able to meet its financial obligations when they are due. 	<ul style="list-style-type: none"> Electrica 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.

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<ul style="list-style-type: none"> The Company's ability to continue its activities is dependent on the ability of its subsidiaries to continue their activities. In particular, regarding government subsidy collection, the supply subsidiary has material uncollected amounts from the compensation and capping scheme in force, for which there is no certainty as to when they will be collected, which may also affect the activity of DEER (the Group's distribution subsidiary) and ELSA. 	<ul style="list-style-type: none"> Also, the Group depends on receipts from the Ministry of Energy and the National Agency for Payments and Social Inspection, as such any action depends on the above entities, being unable to take concrete actions and measures. For the supply activity (EFSA) cash-flow analysis, projections and forecasts are performed (implementation of SAP Cash Management and Liquidity Planner modules). At the distribution level (DEER), frequent and careful monitoring of debts, payment of obligations within due dates, limitation of payments before due date and analyses on attracting external financing resources and priority collection of overdue receivables. The subsidiaries' ability to continue operations is dependent on the successful completion of new loan agreements and the receipt of subsidies for the supply subsidiary.
<i>Conformity (Legal and regulatory) risk</i>	
<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 Electrica SA holdings. 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. At Group level, compliance risk, which includes the two components (legal and regulatory), has been identified as the risk of unpredictable and immediately applicable primary and/or secondary legislation. From this also derives the risk that changes in the regulatory environment will affect the strategy, operations and financial results of the subsidiaries and therefore ELSA, defining new directions and new compliance requirements that Group companies will have to comply with. 	<ul style="list-style-type: none"> Electrica SA 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. At Group level, each subsidiary is therefore pursuing a series of measures to mitigate the negative effects of these risks generated by legislative changes. Thus, the impact of the expected regulatory changes is assessed, and, if necessary, an agile adjustment of the strategy is made and optimal actions are identified to eliminate/minimise the negative impact.
<i>Operational risk</i>	
<ul style="list-style-type: none"> Electrica may record direct or indirect losses resulting from a wide range of factors associated with processes, service providers, technology and infrastructure, internal governance 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 company's reputation. 	<ul style="list-style-type: none"> The company has 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, SE Electrica S.A. obtained in 2022 the certification for the implementation of standard ISO 27001: Information Technology, Security Techniques, Information Security Management Systems. The extension of the certification to the level of the other entities in the Group is further analyzed.

Source: Electrica

3. Organizational Structure

3.1. Group Structure

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

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

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

- **Distributie Energie Electrica Romania S.A. („DEER”)** resulted from the merger through absorption of the three distribution subsidiaries Societatea de Distributie a Energiei Electrice Muntenia Nord (“SDMN”), Societatea de Distributie a Energiei Electrice Transilvania Sud (“SDTS”) and Societatea de Distributie a Energiei Electrice Transilvania Nord (“SDTN”), the last one being the absorbing company. DEER is the main electricity supplier in Transilvania Nord area (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita Nasaud counties), Transilvania Sud area (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties) and Muntenia Nord area (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties), ensuring the service of network users by operating the installations that work at 0.4 kV to 110 kV (power lines, substations and transformation stations). DEER holds exclusive distribution licenses for the aforementioned regions, which have a validity period until 2027, with the possibility of extension for a period of 25 years;
- **Electrica Furnizare S.A. („EFSA”)**, company whose main activity is the supply of electricity to final consumers. EFSA holds an electricity supply license that covers the entire territory of Romania, which was renewed in 2021 for a period of 10 years, and a license for carrying out the activity of natural gas supply, valid until 2032. In view the expansion of the economic activities of Electrica Furnizare S.A. (EFSA) in Hungary, the electricity trading license was granted by the Hungarian Energy and Public Utilities Regulatory Authority (MEKH) for Electrica Furnizare, by Decision no. H879/2022.
- **Electrica Serv S.A. („SERV”)** starting on 30 November 2020, the company absorbed Servicii Energetice Muntenia SA (“SEM”), following a merger process. SERV provides repair services and other related services to third parties and various services to the companies in the group (car rental, building rental, etc.).
- **Electrica Productie Energie S.A. („EPE”)**, company established in 2021, with the purpose of acquisition and development of electricity generation projects from renewable sources, respectively the operation of energy generation capacities, combined with the development and operation of independent storage solutions that the company intends to develop future. On 31 March 2022, upon the recommendation of the Strategy and Corporate Governance Committee, BoD ELSA decided to reposition Electrica Energie Verde 1 SRL (EEV1) within the Group by concluding a transaction between EFSA, as the seller and sole shareholder of EEV1, and Electrica Production Energie S.A. (EPE), as a buyer. The actual transaction took place on 15 July 2022, completed by completing the legal formalities at the Trade Registry Office on 21 July 2022.
- **Sunwind Energy S.R.L. („SWE”)** is developing the photovoltaic project "Satu Mare 2" with a designed installed capacity of 27 MW, located near Satu Mare and became subsidy on 21 March 2022 as a result of ELSA owning 60% of shares. On 24 March 2023, ELSA bought the remaining shares up to 100%.
- **New Trend Energy S.R.L. („NTE”)** develops the photovoltaic project "Satu Mare 3", with a designed capacity of 59 MW, located near Satu Mare and became subsidy on 27 May 2022 as a result of ELSA owning 60% of shares.

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- **Green Energy Consultancy & Investments S.R.L. („GEC&I”)** develops the photovoltaic project „Vultur” with a design capacity of 12 MWp DC (peak power at the panels level) and 9.75 MW AC (evacuating power in the network) located in the Vultur village area, Vrancea county and became subsidiary on 06 September 2022 as a result of ELSA owning 75% of shares. On 06 February 2023, ELSA bought the remaining shares up to 100%.
- **Foton Power Energy S.R.L. („FPE”)** develops the photovoltaic project “Bihor 1”, with a designed installed capacity of 77.5 MW, located near Oradea city and and became subsidiary on 31 July 2023 as a result of ELSA owning 60% of shares.

Table 2. ELSA’s subsidiaries

Subsidiary	Activity	Sole registration code	Headquarters	% shareholdings as of 30 September 2023
Distributie Energie Electrica Romania S.A. („DEER”)	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	99.99999929%
Electrica Furnizare S.A. („EFSA”)	Electricity and natural gas supply	28909028	Bucharest	99.9998444099934%
Electrica Serv S.A. („SERV”)	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucharest	99.9998095%
Electrica Productie Energie S.A („EPE”)	Production of electricity	44854129	Bucharest	99.9920%
Electrica Energie Verde 1 S.R.L.* („EEV1”)	Production of electricity	19157481	Bucharest	100%*
Sunwind Energy S.R.L.	Production of electricity	42910478	Bucharest	100%
New Trend Energy S.R.L. („NTE”)	Production of electricity	42921590	Constanta	60%
Green Energy Consultancy & Investments S.R.L. („GEC&I”)	Production of electricity	29172101	Bucharest	100%
Foton Power Energy S.R.L.	Production of electricity	43652555	Constanta	60%

Source: Electrica

*indirect shareholding by ELSA of 100% through its subsidiaries and without any other external holdings.

As of 30 September 2023, the Company’s associates are presented in the table below.

Table 3. ELSA’s associates

Associate	Activity	Sole registration code	Head Office	% shareholdings as of 30 September 2023
Crucea Power Park S.R.L.	Production of electricity	25242042	Constanta	40%

Source: Electrica

- **Crucea Power Park S.R.L. („CPP”)** develops the wind project “Crucea Est”, with a designed installed capacity of 121 MW and a projected electricity storage capacity of 60 MWh (15 MW x 4h), located outside the Crucea

village, Constanta county. On 15 May 2023, Electrica acquired an additional 10% of the shares and voting interests in Crucea Power Park S.R.L.. As a result, the Group’s equity interest increased from 30% to 40%.

Table 4. Long term investments owned by ELSA

Company	Activity	Sole registration code	Head Office	% shareholding as at 30 September 2023
CCP.RO Bucharest S.A. („CCP.RO“)	Financial brokerage activities, exclusively insurance activities and pension funds (risk management through derivative products on the energy market)	17777754	Bucuresti	7.72%

Source: Electrica

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

Subsequently, on 18.08.2023, the new share capital of CCP.RO and the new shareholding structure are certified following the registration of the share capital increase approved by the EGMS of 29 May 2023, according to which ELSA reduced its shareholding to 7.72% of the share capital.

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

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

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

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

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

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

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

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

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

The realization of the strategic plan for the period 2019-2023 was significantly influenced by the fact that in the period 2020-2022 Romania was affected by the COVID19 pandemic, implicitly the energy market facing all kinds of difficulties from price anomalies, process anomalies, operational anomalies (the period in which the activity with clients was closed and/or significantly hampered by the restrictions on movement and socialization imposed) and until the period in which market regulation was restored.

Distribution segment

In the distribution segment, at the end of 2019 when RP4 has started, the implementation of the newly approved strategy at the Group level was initiated - through the perspective of the megatrends that mark the energy industry (decarbonization, decentralization, digitalization), which reveals a significant transformation process, accelerated internationally, but initiated nationally, also. The economic context at national level, which brings additional pressure on the regulated activities, and the strategic priorities assumed in the field of energy urgent the need for transformation also at the level of electricity distribution companies, these becoming one of the important pillars for the transformation of the energy system. The need and principles for transforming the business model were analyzed in detail from the perspective of several implementation scenarios - from individual optimization to the legal merger of the three distribution operators. The latter, achieved at the end of 2020, through the proposed organizational model and the initiation of the legal post-merger integration program, is likely to create the premises for compliance with the current requirements of the framework that has been in a special dynamic lately, ensuring medium-term operational efficiency, preparing the organization for the challenges related to the energy transition and capitalizing on new medium and long-term business opportunities.

The year 2022 represented the year in which the foundations of the new approach were laid in terms of reorganizing the business and organizational model, which were established - in a broad conceptual and operationalization effort - the target objectives, as well as the method and tools to be used for the current year and the next 2 years, the implementation being started in several areas: (i) the unified target organizational chart; (ii) reviewing and optimizing the processes - as a whole, but also within specific Centers of Excellence, prioritized for implementation depending on the impact in the operational area and the interaction with the client; (iii) the identification and application of those initiatives and optimization measures that would lead to the strict compliance with the targets approved by ANRE regarding the operational and personnel expenses for the distribution service; improving the

model of analysis and monitoring of the results obtained compared to the established targets, with the application of a more agile approach (iv) IT&C technology area - with a decisive role in transforming the company, as a whole and in implementing all defined projects, as part of the program.

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

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

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

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

Supply segment

In 2023, the strategy of the previous year was preserved, the company focused on increasing the profitability of the client portfolio by developing specific measures to increase customer satisfaction through portfolio restructuring and through competitive and dynamic purchasing strategies in the context of a volatile and unpredictable energy market. The traditional electricity supply offer has also been complemented with combined electricity – gas and value-added services packages.

In 2023, EFSA continues to implement the measures identified to transform the company into an organization capable of successfully responding to current and future energy market challenges including improving the financial situation, improving the NPS, defining a competitive trade program, improving positioning and transforming the organization into a supple and agile one.

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

Another priority area was digitization, in the sense of the actions taken by EFSA to increase the number of MyElectrica accounts. It increased by 13% as of 30.09.2023, compared to 31.12.2022, a significant increase, which in the future will lead to a reduction in costs and a better relationship with the client, but, on the other hand, it also creates a risk, regarding the possibility of faster migration of a customer to another electricity supplier.

Services segment

The plan for the next period contains an in-depth multicriteria analysis of the company's activities and highlights the underlying causes of the deteriorating financial situation. The measures included in the recovery plan aim at aligning costs with revenues, returning the company to positive financial results and staff restructuring, with the

ultimate goal of increasing labor productivity by eliminating production flow dysfunctions and redundancies in the decision-making process. The recovery plan also overviews the strategic repositioning of the company by developing and consolidating new activities that will serve both the companies within the Group and companies outside it.

The main directions for the development of the SERV are:

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

Electricity production segment

The Group wants to develop a portfolio of electricity production capacities from renewable sources (wind and photovoltaic) with a cumulative capacity of 400 MW, together with electricity storage capacities with an installed capacity up to 100 MW.

As of 30.09.2023, the Group had the following projects under development:

- a. Projects at the ready-to-build stage, for which the development activity has been completed:
 - Vulturul Project (SPV: Green Energy Consultancy & Investments S.R.L.) – photovoltaic park of 12 MWp; The competitive selection of the EPC contractor has been completed, and is in the contracting phase in order to start the construction.
 - Satu Mare 2 Project (SPV: Sunwind Energy SRL) - photovoltaic park of 27 MWp; The competitive selection of EPC contractors is in the process of starting (according to the applicable requirements for projects partially financed by the PNRR program), in order to contract and start the construction phase.
- b. Projects under development to reach the ready-to-build stage:
 - Satu Mare 3 Project (SPV: New Trend Energy SRL) - photovoltaic park of 59* MWp;
 - Crucea Est Project (SPV: Crucea Power Park SRL) – wind park of 121* MWp provided with an on-site storage capacity of 60 MWh;
 - Bihor 1 Project (SPV: Foton Power Energy SRL) - photovoltaic park of 77* MWp.
- c. Total installed power for projects developed and under development: 296* MW.

** The powers installed for the projects under development may undergo changes that could result from the authorization process specific to the power production capacities.*

3.3. Key information by segments

Supply segment

Market data (according to ANRE Report for June 2023)

- The supply market consists of the competitive segment, universal service (US) and last resort service segment (LRS);
- The competitive segment includes 88 suppliers (including those of last resort with activity on the competitive

segment of the retail market), of which 84 are relatively small (<4% market share).

In June 2023, EFSA is the market leader with a share of 17.08%; in the competitive market with a share of 10.16% (according to ANRE report June 2023). In comparison, in 2022, EFSA had a market share in the total electricity market of 17.96%; LR market share of 31.21% and a competitive market share of 12.79% (ANRE report for December 2022).

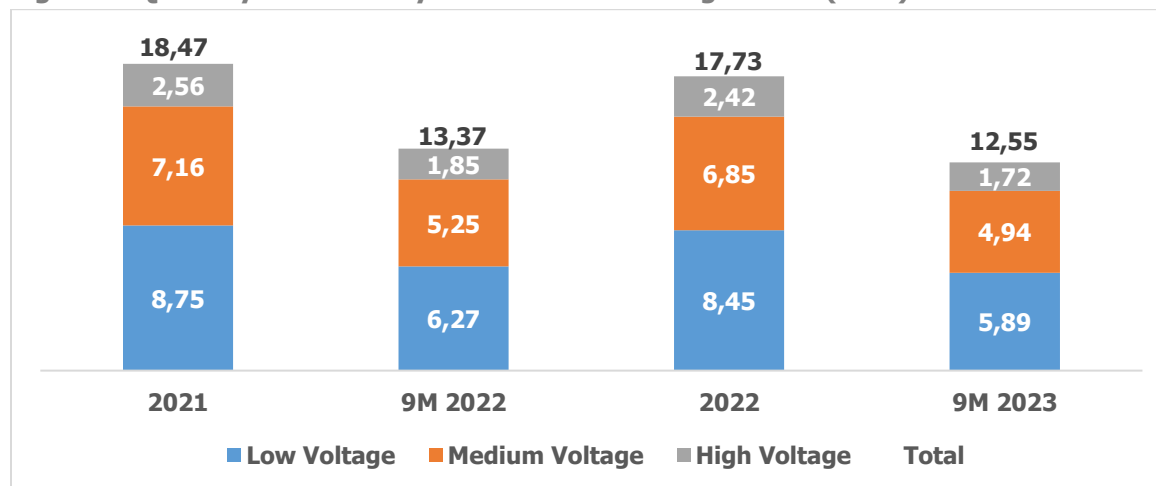
As of 30 June, the Group had supplied 3.9 TWh of electricity to approximately 3.5 million consumption places (both universal service and last resort, as well as on the competitive market), representing a decrease of 6.84% compared to the same period last year.

Distribution segment

Information for the period ended 30 September 2023

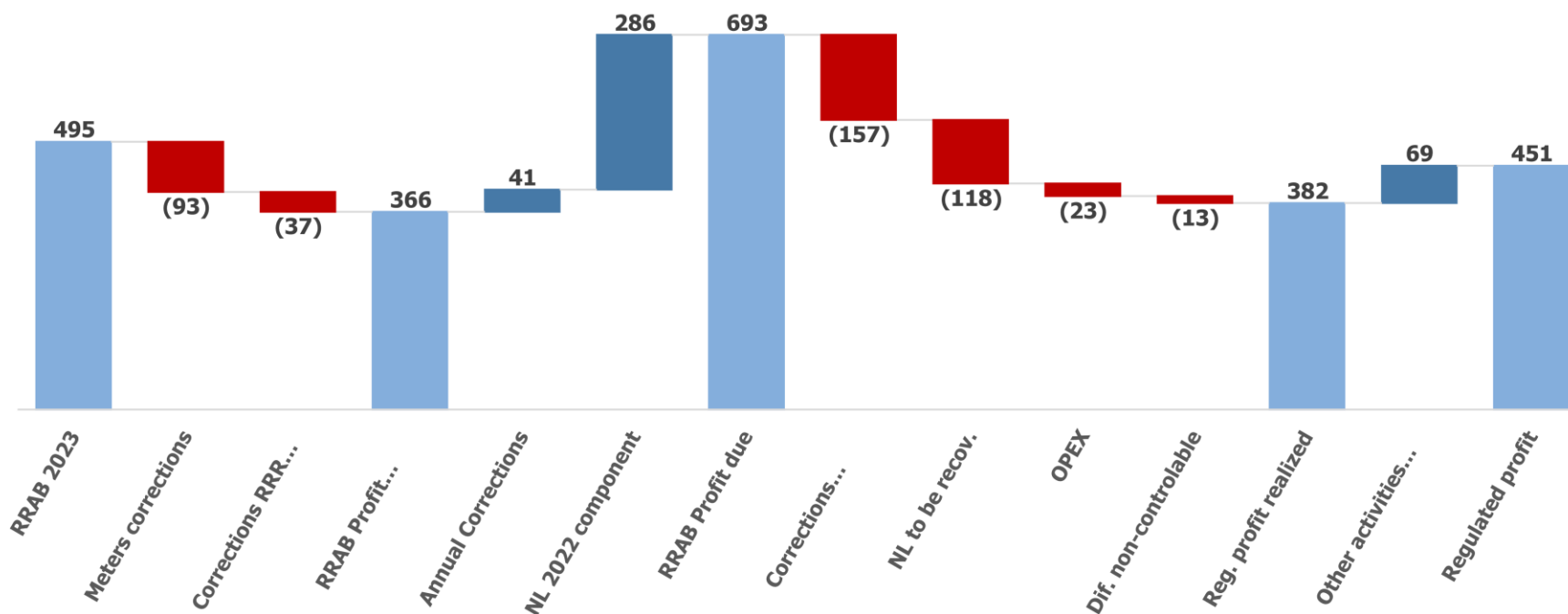
- The estimated Regulated Assets Base (RAB), in nominal terms, with inflation of 13.69% for the year 2023, estimated at the end of the 9 months ended on 30 September 2023 is RON 6.9 bn., without inflation being RON 6 bn..
- 202,758 km of electric lines – 7,603 km for High Voltage (“HV”), 46,762 km for Medium Voltage (“MV”) and 148,393 km for Low Voltage (“LV”)
- Total area covered: 97.196 km², 40.7% of Romania’s territory
- 3.9 mn. users for the distribution activity
- 12.55 TWh of electricity distributed in the first nine months of the year 2023, a decrease of 6.2% as compared to the first nine months of the year 2022.

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



Source: Electrica

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



Source: Electrica

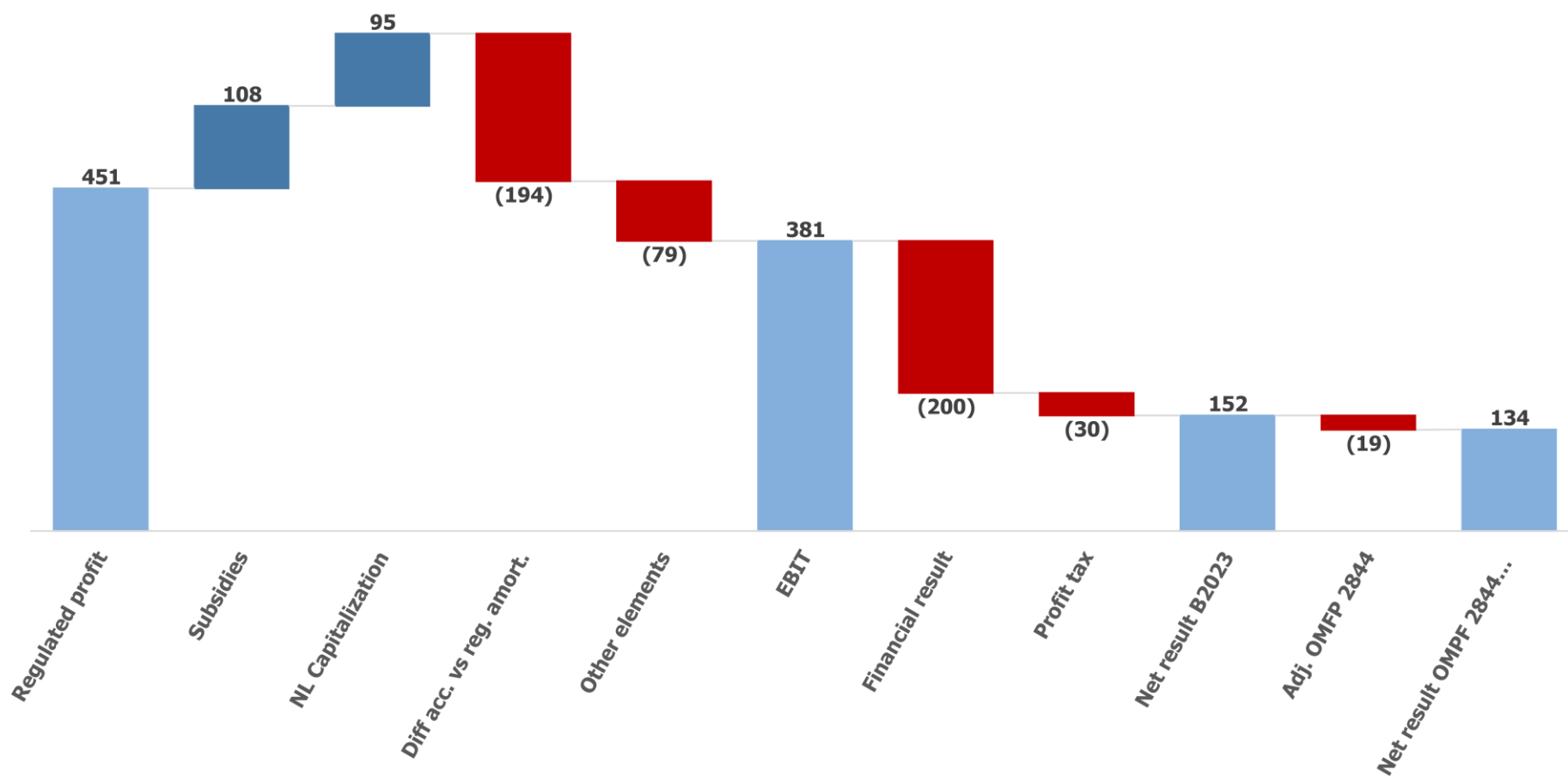
*The corrections for 2022 have not yet been approved by ANRE, they will be reflected in the 2024 tariffs

Relevant regulatory issues:

- At the beginning of the current PR4 regulatory period, ANRE made a total negative correction to close PR3 in the amount of RON (855) mn. (nominal terms), respectively RON (665) mn. (2018 terms), of which RON (341) mn. (2018 terms) for meters recognized as investments in PR2 (2008-2013). The meter correction was challenged in court by the distribution branch of the Electrica Group, because in 2013, ANRE recognized the meters in RAB based on the principle of non-discrimination of all distribution operators, although they were not registered as fixed assets. The total negative correction related to PR3 decreased the regulated profitability related to PR4, with an average annual value of RON (171) mn. (nominal terms).
- RON 451 mn., regulated result includes a negative deviation of the NL cost of RON 118 mn. (calculated for the quantity of 1,884 GWh and the price difference of 63 RON/MWh (533 RON approved and 596 RON budgeted)).

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

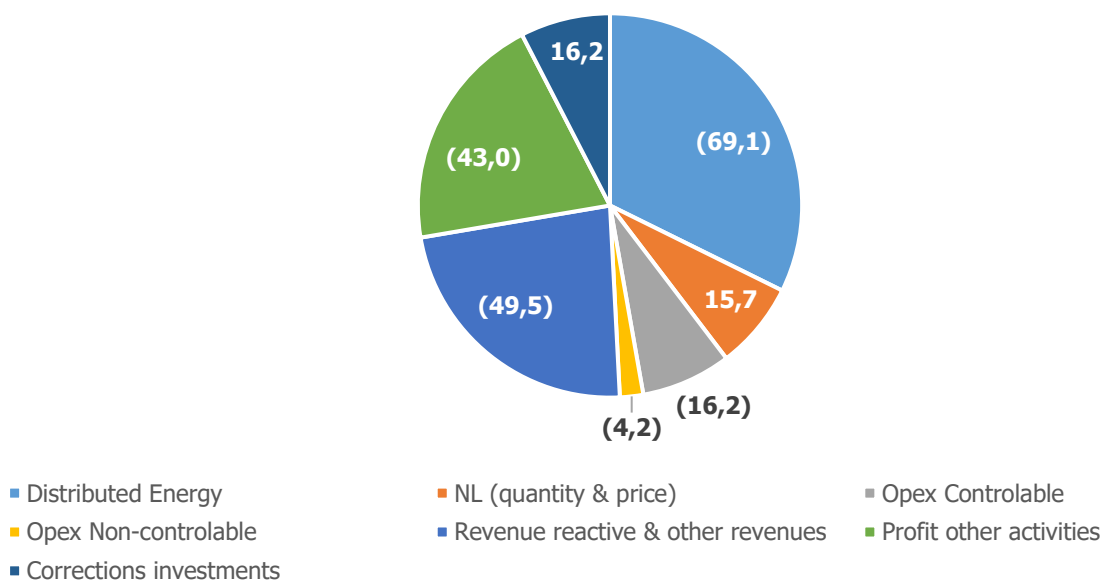


Source: Electrica

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

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

Negative corrections of RON 150 mn. related to 2021



Source: Electrica

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

4. Shareholders' Structure

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

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

As of 30 September 2023, the ownership structure according to the Central Depository records (Romanian: *Depozitarul Central*) is presented below.

Table 5. Ownership structure

Shareholder	Number of shares	Stake held (% of the share capital)	Percent of voting rights (%)
The Romanian State, through the Ministry Energy, Bucharest, Romania	169,046,299	48.7948%	49.7850%
The European Bank for Reconstruction and Development	17,355,272	5.0096%	5.1112%
Electrica SA	6,890,593	1.9890%	-
BNY MELLON DRS, New York, USA	2,124,008	0.6131%	0.6255%
Other legal entities*	131.428.522	37.9365%	38.7063%
Individuals	19,598,903	5.6572%	5.7720%
TOTAL	346,443,597	100.0000%	100.0000%

Source: Central Depository, Electrica

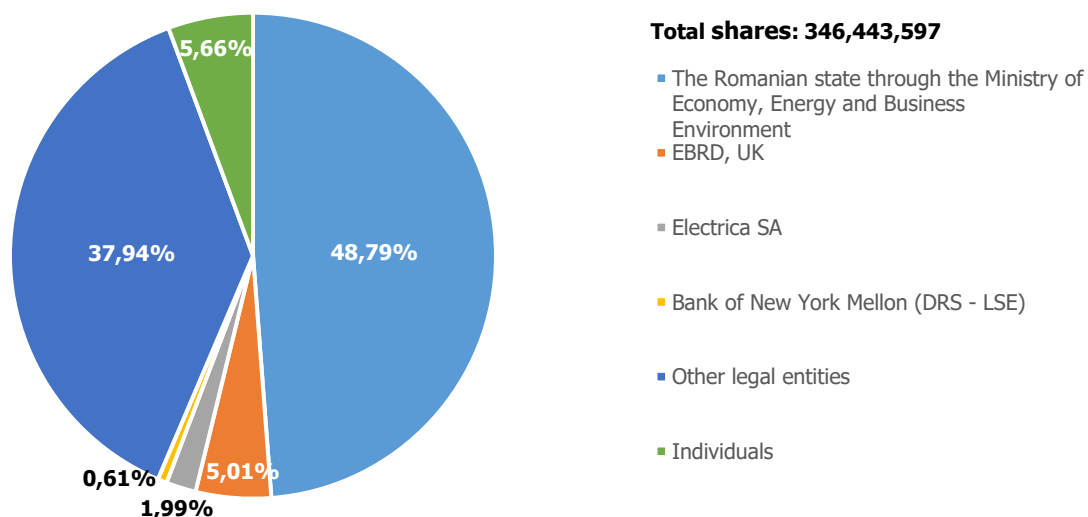
Note 1: Shares with voting rights - 339,553,004, representing the total number of shares (346,443,597) without the number of own shares held by Electrica (6,890,593), for which the voting right is suspended

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

The shares presented to be held by the Bank of New York Mellon represent the global depository receipts (GDRs) owned by ELSA shareholders that are traded on the London Stock Exchange (LSE). A global depository receipt represents four shares. The Bank of New York Mellon is the depository 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 2023, with suspended voting rights, which does not entitle ELSA the right to receive dividends.

Figure 5: Ownership structure as of 30 September 2023



Source: Central Depository, Electrifica

At the end of September 2023, ELSA's shares were owned by a total of 12,765 shareholders, of which 261 legal entities and 12,504 individuals from 30 countries. 91.64% of the total number of shares (317,485,887 shares) were owned by investors with residence in Romania. Thus, foreign shareholders held 8.36% of the share capital (28,957,710 shares), the largest weight being represented by European citizens and firms. Shareholders in the United Kingdom and Ireland held 5.09% of share capital, while those in the USA held 0.93%, in this category being included also the GDRs holders.

5. Operational Results

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

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

Indicator	30 September 2023 (unaudited and not reviewed)	30 September 2022 (unaudited and not reviewed)	Variation (abs)
Revenues	7,156.6	7,244.8	(88.2)
Other income	2,667.9	2,196.8	471.1
Capitalised costs of intangible non-current assets	66.4	779.8	(713.4)
Electricity and natural gas purchased	(6,854.0)	(7,727.7)	873.7
Construction costs related to concession agreements	(696.2)	(380.4)	(315.8)
Employee benefits	(692.3)	(589.6)	(102.8)
Repairs, maintenance and materials	(69.7)	(62.0)	(7.7)
Depreciation and amortization	(540.4)	(371.4)	(169.0)
Impairment loss on trade and other receivables, net	(23.3)	(97.4)	74.1
Other operating expenses	(302.4)	(260.7)	(41.7)
Operating profit	712.5	732.3	(19.8)
Finance income	17.8	6.5	11.4
Finance costs	(234.6)	(109.7)	(124.9)
Net finance cost	(216.8)	(103.3)	(113.5)
Share of the result of the associates	0	0	-
Profit before tax	495.6	629.0	(133.4)
Income tax expense	(77.3)	(95.2)	17.9
Net profit	418.3	533.7	(115.4)

Source: Electrica

Key financial indicators for the period ended 30 September 2023:

- **Revenues: RON 7.2 bn.**, decrease of RON 88.2 mn. as compared with 9M 2022;
- **EBITDA: RON 1,252.9 mn.**, a RON 148.8 mn. increase compared to same period of last year;
- **EBIT: RON 712.5 mn.**, a RON 19.8 mn. decrease compared to 9M 2022;
- **EBT: RON 495.6 mn.**, decrease of RON 133.4 mn. compared to 9M 2022;
- **Net profit: RON 418.3 mn.**, decrease of RON 115.4 mn. compared to 9M 2022.

Revenues and other income

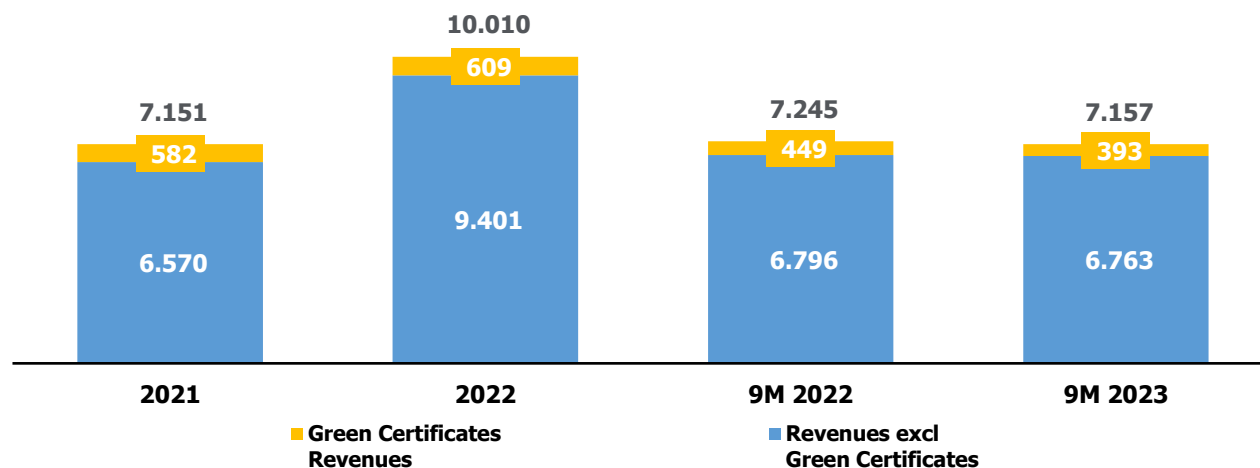
Electrica's revenues and other income for the nine months period ended 30 September 2023 and 30 September 2022 amounted to RON 9,824.5 mn. and RON 9,441.6 mn., respectively, representing an increase of approx. RON 382.9 mn., or 4.1%; the variation is generated mainly by the operating income evolution, mainly subsidies (represent values to be recovered as a result of the application of the capping of electricity prices) recognized by EFSA. Other operating income registered in 9M 2023 compared to 9M 2022, an increase of RON 471.1 mn., of which RON 482.5 mn., recoverable subsidies from the Ministry of Energy, as a result of the application of the mechanism for capping energy prices electricity and natural gas approved by Order no. 119/2022 (which amended the Order no. 118/2021 and Order no. 27/2022).

Starting with 01 November 2021, against the background of the increase in the price of energy and natural gas on the international and national markets, the energy crisis, as well as the effects caused by these increases in the population, in Romania, a series of support schemes have been applied to consumers of electricity and gas, by establishing compensation and capping schemes between 01 November 2021 and 31 March 2025.

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

- Price capping for domestic and non-domestic consumers (01 November 2021 – 31 March 2025). The compensated amounts will be received from the National Agency for Payments and Social Inspection for household consumers and a from the Ministry of Energy for non-household consumers.
- Limiting the average purchase price considered for determining the amounts to be recovered from the state budget to 900 RON/MWh; with the exception of the purchase intended for supply as a last resort, where this limitation does not apply;
- Limitation of the allowed supply component to:
 - Electricity - SoLR ("Supplier of last resort") 80 lei/MWh and Non SoLR 73 lei/MWh;
 - Natural gas – SoLR 13.5 lei/MWh and non SoLR 12 lei/MWh;
- Contribution to the Energy Transition Fund for suppliers who carry out trading activity and aggregators who trade quantities of electricity and/or natural gas on the wholesale market = (Average sale price – Average purchase price x 1.02) x Quantity delivered monthly;
- The obligation of natural gas producers to sell at the price of 150 RON/MWh the quantities necessary to supply household customers/heat energy producers;
- Obligation to store natural gas underground of a minimum stock of natural gas at the level of 90% of the storage capacity of the warehouses. The minimum stock of natural gas for each supplier is determined according to the weight of the quantity of each supplier in the total quantity estimated at the national level (ANRE Order 10/2023).

Following the adoption of Ordinance no. 30 of 10 August 2023, the Ministry of Finance is authorized to fund the account provided for in GEO no. 27/2022 regarding some of the measures applicable to end customers on 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, approved with modifications and additions by Law no. 206/2022, with the amounts corresponding to the solidarity contribution collected in 2023, within 3 working days from the date of entry into force of the ordinance. According to it, the Group expects an increase in the subsidy recovery rate.

Revenues**Figure 6: Revenue for 9M 2023 and comparative information (RON mn.)**

Source: Electrica

The revenues decreased by RON 88.2 mn., or 1.2%, being the net effect of the following main factors:

- decrease of RON 608.8 mn. on the supply segment;
- internal revenue (from the Group): the Group's revenues increased by RON 176.9 mn.;
- RON 673.9 mn. increase of the distribution segment's revenues;
- increase of RON 29.9 mn. on the services segment;
- decrease of RON 6.5 mn. on the production segment.

External revenues (external clients) decreased by RON 88.2 mn., meanwhile the internal revenues (with Group entities) have a positive impact by RON 176.9 mn., this positive impact is eliminated in the consolidation process.

During the nine months period ended 30 September 2023, revenues from the electricity distribution segment increased by approx. RON 673.9 mn., or 27.4%, to RON 3,135.6 mn., from RON 2,461.6 mn. in the same period of the previous year, as a result of the following factors:

- favorable impact of approx. RON 348.7 mn., mainly from the rise in the distribution tariffs by an average of 20%, compared to 9M 2022, positive effect reduced by the decrease in the volumes of electricity distributed by approx. 6.2%;
- 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 distribution network under concession agreements, these revenues increasing in 9M 2023 by RON 325.2 mn., compared to the same period last year.

As a result of ANRE ord. no 27/2023, starting with Q2 2023, distribution tariffs will be higher by approx. 20% (26.1% in the MN area, 21.5% in the TN area and 10.9% in the TS area); compared to the same period of the previous year, implicitly the revenues from electricity distribution will be higher, with a favorable impact on the operational performance for the distribution segment. The tariffs applicable starting with 01 April 2023 will not change until 31 December 2023.

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

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(2018 terms) for meters recognized as investments in PR2 (2008-2013). The meter correction was challenged in court by the distribution branch of the Electrica Group, because in 2013, ANRE recognized the meters in RAB based on the principle of non-discrimination of all distribution operators, although they were not registered as fixed assets. The total negative correction related to PR3 decreased the regulated profitability related to PR4, with an average annual value of RON (171) mn. (nominal terms).

Regarding the supply segment, the revenue from the electricity supply and natural gas decreased by RON 608.8 mn., or 10.2%, to RON 5,343.8 mn., from RON 5,952.6 mn. in 9M 2022.

The variation of the supply segment revenue is mainly driven by the net effect between the 5% retail sale price increase in the retail market and the 10% fall in the volumes of electricity supplied on the retail market.

The green certificates value included in final consumer invoice, set by ANRE, decreased from RON 72.54/MWh in 9M 2022 to RON 71.68/MWh in 9M 2023.

Electricity and gas purchased

In 9M 2023, the expense for electricity and gas purchased decreased by RON 872.6 mn., or 11.3%, to RON 6,854.0 mn., from RON 7,726.6 mn. in the comparative period.

This variation is mainly generated by the decrease in electricity costs for NL coverage on distribution segment as a result of the legislative changes of 2022 by which the mechanism for the centralized purchase of electricity was established, and OPCOM was designated as the sole purchaser.

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

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

Nine months period ending 30 September (RON mn.)	2023	2022	%
Electricity purchased to cover NL	777.7	1,493.0	-47.9%
Total Electricity and gas related to supply segment , out of wich:	6,076.3	6,233.7	-2.5%
<i>Electricity and gas purchased for supply</i>	<i>5,484.9</i>	<i>5,566.3</i>	<i>-1.5%</i>
<i>Transmission and system services related to supply activity</i>	<i>198.0</i>	<i>218.3</i>	<i>-9.3%</i>
<i>Green Certificates</i>	<i>393.4</i>	<i>449.0</i>	<i>-12.4%</i>
Total electricity purchased	6,854.0	7,726.6	-11.3%

Source: Electrica

The cost of the electricity purchased for supply (including transmission and system services) decreased by RON 157.3 mn., or 2.5%, to RON 6,076.3 mn. in 9M 2023, from RON 6,233.7 mn. recorded in 9M 2022.

Following the overtaxation of energy producers and the redirection to the Energy Transition Fund of 98% of the profit obtained from the resale of energy in the wholesale market by suppliers/traders, the purchase price on the Day-Ahead Market (DAM) recorded a decrease in 9M 2023 by approximately 61% compared to the similar period of 2022, maintaining the same downward trend in the following period as well.

At the same time, the measures approved by GEO 119/2022 regarding the introduction of the Centralized Electricity Purchase Mechanism (MACEE), the establishment of ceilings regarding the recognition of purchase costs as well as the overtaxation of profits generated an extremely low liquidity in the wholesale electricity market.

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

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

This variation was determined by the following:

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

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 **second quarter of 2023**, the cost of GC acquisition increased by RON 21,276 mn. (increase from RON 144,190 mn. to RON 165,466 mn.), respectively an increase of 14.76% compared to the same period of 2022.

This variation was determined by the following:

- the increase by 16.13% of the amount of electricity invoiced, used at the rate of the second quarter of 2023 (the electricity invoiced in the second quarter of 2022 was 1,987,819.257 MWh, while the one invoiced in the second quarter of 2023 was 2,308,386.722 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 2023**, the cost of GC acquisition decreased by RON 3,737 mn. (decrease from RON 141,942 mn. to RON 138,205 mn.), respectively a decrease of 2.63% compared to the same period of 2022.

This variation was determined by the following:

- the decrease by 1.47% of the amount of electricity invoiced, used at the rate of the third quarter of 2023 (the electricity invoiced in the third quarter of 2022 was 1,956,836.093 MWh, while the one invoiced in the third quarter of 2023 was 1,928,079.425 MWh).
- the decrease of the quota estimated by ANRE for the acquisition of GC of 1.4% (from 0.5014313 GC/MWh in 2022, to 0.4943963 GC/MWh in 2023).

Regarding the distribution segment, in the nine months period ended 30 September 2023, the cost of the electricity purchased to cover NL decreased by RON 715.2 mn., or 47.9%, to RON 777.7 mn., from RON 1,493.0 mn., the evolution being generated both by a significant decrease in the electricity purchase prices as a result of the implementation of the centralized purchase mechanism MACEE, according to which the producers have the obligation to sell 80% of the available energy at a price of 450 lei/MWh (positive effect of RON 731.9 mn.) and higher volumes of electricity needed to cover NL (negative impact of RON 16.7 mn.).

Starting with 2022, according to GEO no. 119/2022, the additional costs of the purchase of electricity (determined as the difference between the realized costs and the costs included in the approved distribution tariffs), realized between 01 January 2022 – 31 March 2025, compared to the costs included in the regulated tariffs, are capitalized quarterly and are remunerated with 50% of the regulated rate of return (RRR) approved by ANRE, applicable during the amortization period of the respective costs and are recognized as a distinct component in the regulated tariffs, called the component related to additional costs with NL. Also, ANRE developed the Methodological Norms regarding the recognition in tariffs of the additional costs with the purchase of electricity to cover the own technological

consumption compared to the costs included in the regulated tariffs, with the aim of establishing the way of substantiating the additional costs with the purchase of electricity for NL coverage as well as the conditions for their recognition in the regulated income on the basis of which the distribution tariffs are established.

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

Construction costs

In 9M 2023, the expenses with the construction of the electrical networks in connection with the concession contracts increased by RON 315.8 mn., or 83.0%, to RON 696.2 mn., from RON 380.4 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.

Employee benefits

The expenses for salaries and employee benefits increased by RON 102.8 mn., or 17.4%, to RON 692.3 mn. in 9M 2023, from RON 589.6 mn. in 9M 2022, determined mainly from the increase of benefits negotiated through CCM.

Repairs, maintenance and materials

In 9M 2023, the expenses with repairs, maintenance and materials recorded a slight increase of RON 7.7 mn., compared with the same period of the previous year.

Other operating expenses

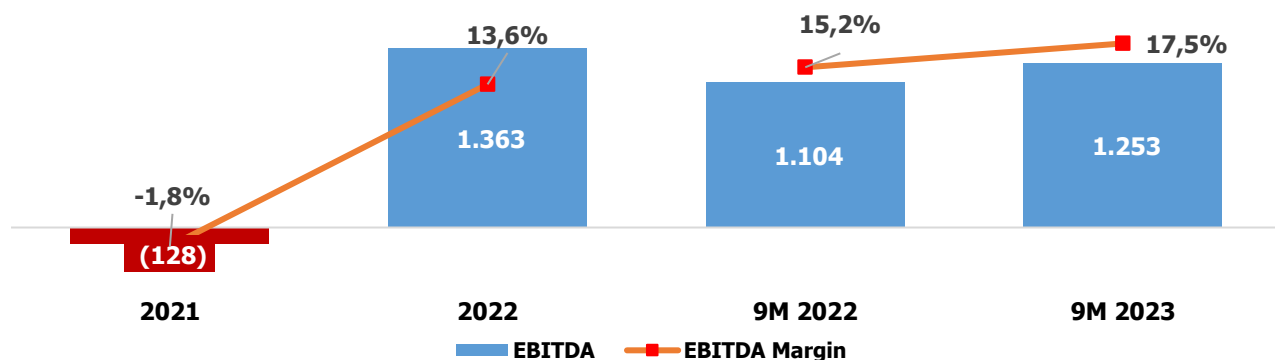
In the first nine months of 2023, the other operating expenses increased by RON 41.7 mn., or 16.0%, to RON 302.4 mn., from RON 260.7 mn. in the same period of 2022, mainly from:

- the favorable effect of the net change in provisions, of approx. RON 5.9 mn.;
- higher operating expenses by RON 48.1 mn., especially on the supply segment.

EBITDA and EBITDA margin

The group's EBITDA increased by approx. RON 148.8 mn. compared to the same period of the previous year, having a positive evolution from RON 1,104.1 mn. in 2022 to RON 1,252.9 mn. in 2023.

Figure 7: EBITDA and EBITDA margin for 9M 2023 and comparative information (RON mn. and %)

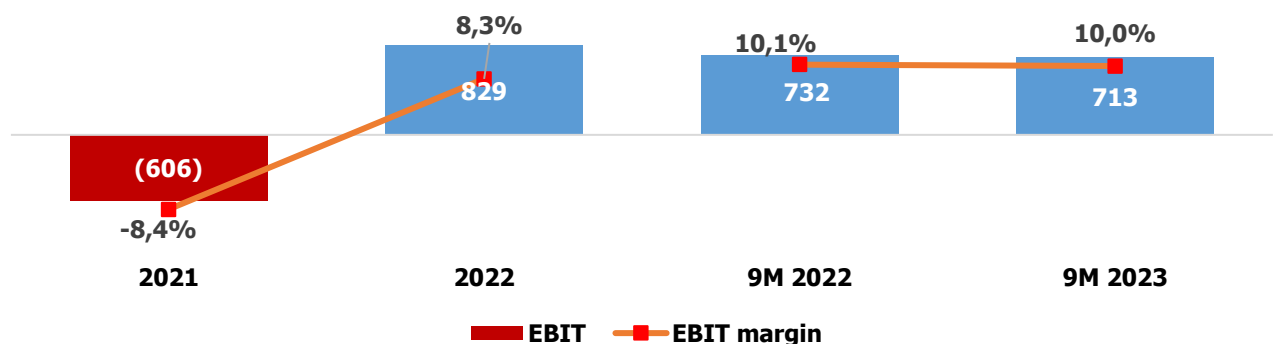


Source: Electrica

Operating profit

The Group operating profit (EBIT) decreased by approx. RON 19.8 mn. y-o-y, the negative evolution of EBIT is generated by the increase of depreciation expense representing the depreciation related to capitalized assets for NL 2022 and 2023, negative impact alleviated by the increase in revenues.

Figure 8: EBIT and EBIT margin for 9M 2023 and comparative information (RON mn. and %)



Source: Electrica

Net finance cost

The net finance cost at group level decreased by RON 113.5 mn. in 9M 2023 compared to the similar period in 2022, mainly as a result of the increase of finance expenses of RON 124.9 mn. related to loans for pre-financing the support scheme for electricity and natural gas consumers established by GEO no. 119/2022.

The increase in interest costs related to the year 2023 compared to the year 2022 is mainly due to the delay in collection within the terms established by law of the amounts from the Ministry of Energy and the National Agency for Payments and Social Inspection, as a result of the application of the price ceiling mechanism for electricity and

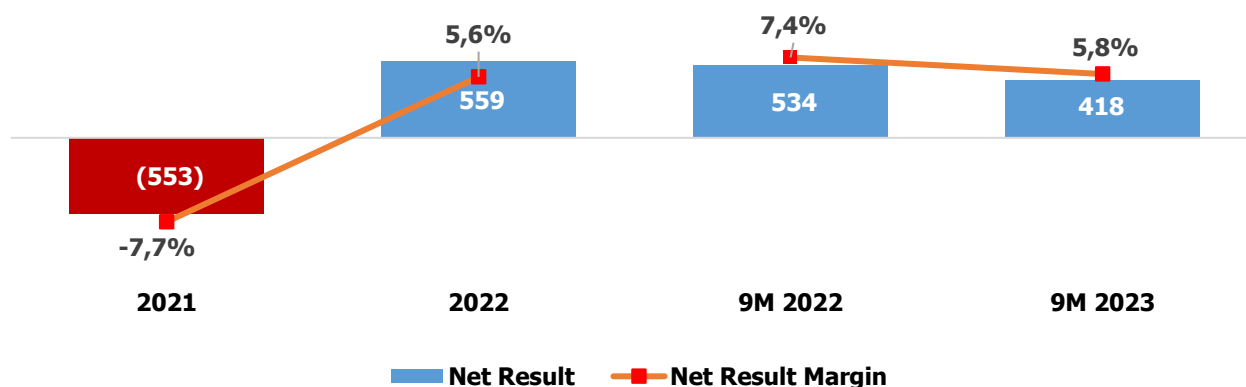
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of natural gas according to the legislation in force, as well as as a result of the payments made for electricity in order to cover NL, in the amount of RON 66.7 mn. in 2023 and RON 989.3 mn. in 2022, the amount recoverable in tariffs and depreciated linearly over next 5 years, according to GEO no. 119/2022. Thus, in order to support the payments within the due dates, additional loans were accessed.

Net profit for the period

As a result of the above described factors, in the nine months period ended 30 September 2023, the net profit decreased by RON 115.4 mn., to RON 418.3 mn., from RON 533.7 mn. as compared with the similar period from previous year.

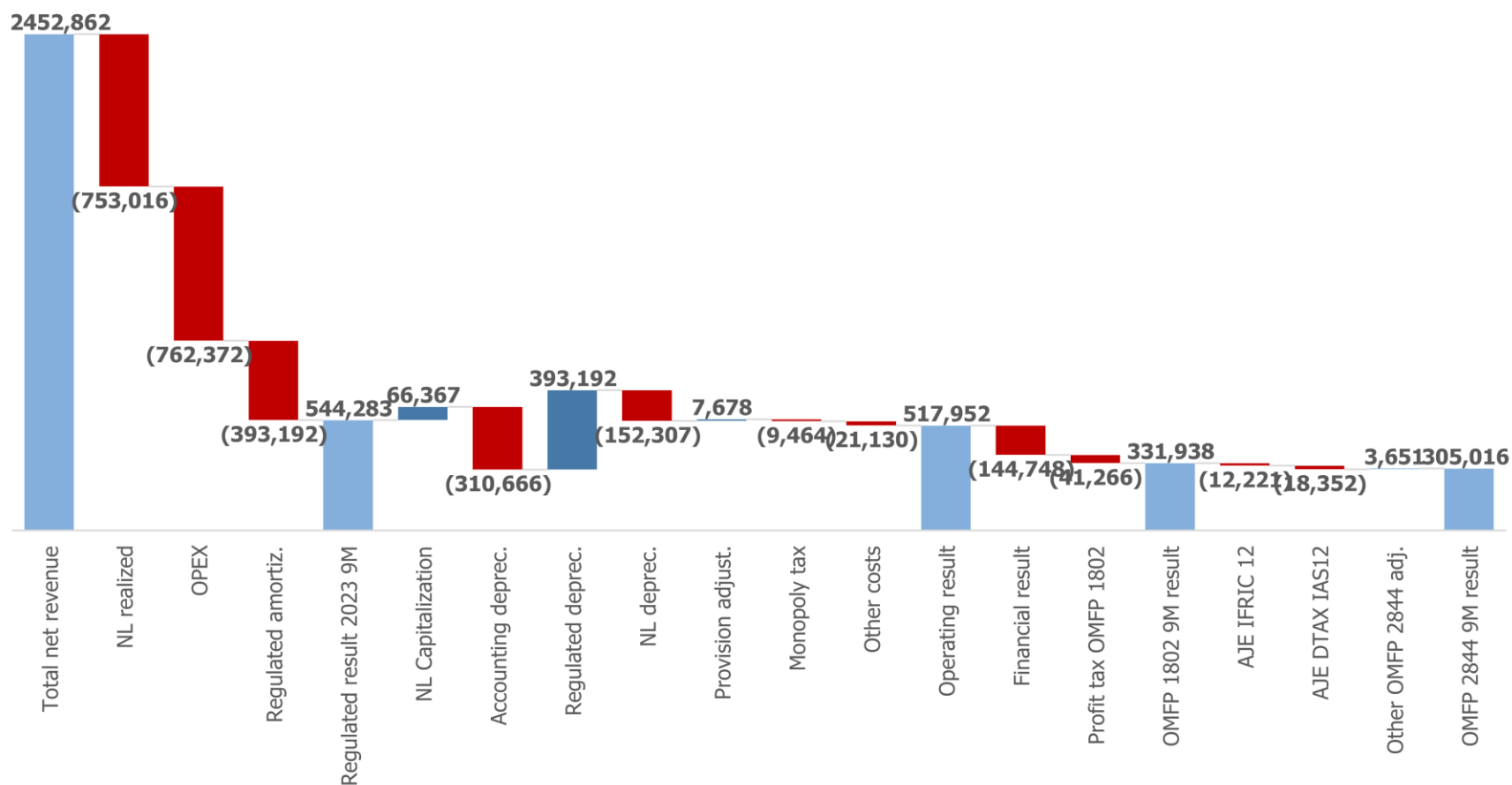
Figure 9: Net result and Net result margin for 9M 2023 and comparative information (RON mn. and %)



Source: Electrica

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Figure 10: Analysis of regulated net result - OMFP 1802/2014 - OMFP 2844/2016 for the distribution segment at 9M 2023 (RON mn.)



Source: Electrica

The positive regulated result of RON 544.3 mn. does not include the effect of the capitalization of the negative deviation of the cost of NL - in realized values this was RON 66.4 mn., determined for the amount of NL realized in the first nine months of 2023.

6. Financial Position

The following table presents the consolidated statement of the financial position (amounts in RON mn.):

Table 8. Financial position (RON mn.)

	30 September 2023 (unaudited and not reviewed)	31 December 2022 (audited)	Variation abs
ASSETS			
Non-current assets			
Intangible assets related to concession agreements	6,053.3	5,675.9	377.4
Intangible assets related to NL capitalization	865.9	951.6	(85.6)
Goodwill	24.7	12.0	12.6
Other intangible assets	19.1	12.9	6.3
Property, plant and equipment	501.2	499.4	1.8
Investments in associates	16.6	18.8	(2.2)
Other investments	7.0	7.0	0.0
Deferred tax assets	36.6	30.2	6.4
Other non-current assets	51.9	2.4	49.5
Right of use assets	45.9	52.2	(6.3)
Total non-current assets	7,622.2	7,262.3	359.9
Current assets			
Trade receivables	2,264.6	2,466.0	(201.4)
Other receivables	69.8	127.3	(57.4)
Cash and cash equivalents	187.6	334.9	(147.2)
Subsidies receivables	2,264.1	1,280.8	983.3
Inventories	134.5	114.0	20.5
Prepayments	16.0	13.9	2.1
Current income tax receivable	-	24.0	(24.0)
Assets held for sale	0.3	0.3	-
Total current assets	4,937.0	4,361.1	576.0
Total assets	12,559.2	11,623.3	935.9
EQUITY AND LIABILITIES			
Equity			
Share capital	3,464.4	3,464.4	-
Share premium	103.0	103.0	-
Treasury shares reserves	(75.4)	(75.4)	-
Revaluation reserve	87.5	92.1	(4.6)
Legal reserves	429.6	429.6	-
Retained earnings	1,730.0	1,353.9	376.1
Total equity attributable to shareholders of the Company	5,739.3	5,367.8	371.5
Non-controlling interests	(0.4)	(0.5)	(0.1)
Total equity attributable to shareholders of the Company	5,738.8	5,367.2	371.6

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	30 September 2023 (unaudited and not reviewed)	31 December 2022 (audited)	Variation abs
Liabilities			
Non-current liabilities			
Lease liability – long term	31.6	34.5	(2.9)
Deferred tax liabilities	231.1	212.6	18.5
Employee benefits	133.2	117.3	15.9
Other liabilities	39.5	72.4	(32.9)
Long-term bank borrowings	826.6	647.2	179.4
Total non-current liabilities	1,261.9	1,083.9	178.0
Current liabilities			
Lease liability – short term	16.2	19.2	(3.0)
Bank overdrafts	2,628.3	2,571.0	57.2
Trade payables	1,255.4	1,407.1	(151.7)
Other payables	1,052.2	867.5	184.7
Deferred revenue	10.2	24.8	(14.6)
Employee benefits	96.6	114.2	(17.6)
Provisions	40.4	53.7	(13.3)
Current income tax liability	47.9	1.1	46.7
Current portion of long-term bank borrowings	411.4	113.5	297.9
Total current liabilities	5,558.5	5,172.2	386.3
Total liabilities	6,820.4	6,256.1	564.3
Total equity and liabilities	12,559.2	11,623.3	935.9

Source: Electrica

*A condensed form of the financial position is presented

Non-current assets

The non-current assets increased by RON 359.9 mn. in 9M 2023, or 5.0%, to RON 7,622.2 mn. as of 30 September 2023, from RON 7,262.3 mn. at 31 December 2022, this variation being mainly the effect of the RON 377.4 mn. increase of intangible assets related to concession agreements, as a result of a higher level of investments made in the distribution network compared to the amortization related to the analyzed period.

Current assets

At 30 September 2023, current assets increased by RON 576.0 mn. compared to 31 December 2022 or 13.2%, from RON 4,361.1 mn. to RON 4,937.0 mn., this evolution being mainly from the supply segment where the positive variation of receivables for subsidies are in amount of RON 983.3 mn., the impact from trade receivables with a decrease of RON 201.4 mn. compared to 31 December 2022 and the cash and cash equivalents with a decrease of RON 147.2 mn.

Below is presented the evolution of current assets' elements that generate most of the variation.

Cash and cash equivalents

Cash and cash equivalents decreased by RON 147.2 mn. in 9M 2023 or 44.0%, reaching RON 187.6 mn., from RON 334.9 mn. at 31 December 2022, the cash being used mainly for the distribution company's investments' internal

financing, as well as for working capital financing.

Trade receivables

Trade receivables decreased by RON 201.4 mn. during 9M 2023, to RON 2,264.6 mn., from RON 2,466.0 mn. at 31 December 2022.

Subsidy receivable

On 30 September 2023, the subsidies to be collected from the supply segment amount to RON 2,264.1 mn., registering an increase of RON 983.3 mn. (as of 31 December 2022, the amount was RON 1,280.8 mn.).

From the total amount of RON 2,264.1 mn., subsidies receivables from Ministry of Energy/National Agency for Payments and Social Inspection are in amount of RON 2,254.3 mn., and RON 9.8 mn. are subsidies from County Agency for Payments and Social Inspection.

From the total amount of RON 2,254.3 mn., RON 503 mn. represents uncollected requests which were submitted to the state authorities (Ministry of Energy/National Agency for Payments and Social Inspection) and RON 1,750.9 mn. are requests which were not yet submitted until 30 September 2023.

After the reporting date, requests were submitted to the state authorities in the amount of RON 695.2 mn. for the previous period until 30 September 2023, under GEO 27/2022 applicable with subsequent amendments.

Non-current liabilities

The non-current liabilities recorded an increase as of 30 September 2023, of RON 178.0 mn., reaching the value of RON 1,261.9 mn., from RON 1,083.9 mn. as of 31 December 2022, mainly as a result of the increase in the long term bank borrowings, of RON 179.4 mn. (CEC Bank).

Current liabilities

At 30 September 2023, the current liabilities increased by RON 386.3 mn., to RON 5,558.5 mn., from RON 5,172.2 mn. at the end of 2022, mainly as a result of the changes in the categories listed below.

Overdrafts

The overdrafts increased in 9M 2023 by RON 57.2 mn., reaching RON 2,628.3 mn., from RON 2,571.0 mn. at the end of 2022, as the Group has increased its working capital financing methods through overdraft for financing the current activity and investments in distribution network.

The Group has overdrafts from various banks (ING Bank N.V., Raiffeisen Bank, Banca Comerciala Romana, Banca Transilvania, BNP Paribas, Intesa Sanpaolo Bank, BRD – Groupe Societe Generale, Alpha Bank and UniCredit) with a total overdraft limit of up to RON 2,964.0 mn. (Total overdraft limit as at 31 December 2022: RON 2,743.5 mn.).

The overdraft facilities are used for financing activities. The outstanding balance of the overdraft facilities as of 30 September 2023 is RON 2,628.3 RON mn. (31 December 2022: RON 2,571.0 mn.).

Trade payables

As of 30 September 2023, trade payables decreased by approx. RON 151.7 mn., to RON 1,255.4 mn., from RON 1,407.1 mn. at 31 December 2022, mainly from decreases of balances related to suppliers of electricity in correlation with the decrease in the price of electricity purchased both on the supply segment and on the distribution segment for NL.

Other payables

Other payables increased in 9M 2023 by RON 184.7 mn., reaching RON 1,052.2 mn., from RON 867.5 mn. at the end of 2022, mainly from VAT payable balance increase for the supply segment (RON 82.0 mn.), but also from the estimated payables from the purchased energy from prosumers.

The current portion of long-term bank loans

On 30 September 2023, the current portion of long-term bank loans increased by approximately RON 297.9 mn., to RON 411.4 mn. on 30 September 2023 from RON 113.5 mn. on 31 December 2022 (Exim Bank and Vista Bank).

7. Outlook

Electrica Group operates in a key economic sector and therefore is closely monitoring both the national and the international context, in order to make the best tactical 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. 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 2022, had a significant impact on to all market participants and lead to their strategic changes / repositioning in the medium and long term. The intervention of the state meant the momentary solution of the exceptional situation, but the adverse effects, if they exist, will be visible some time after the return to the free market.
- 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 return to the free market will mean a challenge for both suppliers and customers;
- The 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.
- Power generation technologies will cause energy 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;

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

Table 9. The potential key drivers of changes in the electricity market

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 and will be maintained as general direction.</p> <p>However, 2023 saw a sharp decrease in industrial production and, as a consequence, in the first semester the demand for electricity also decreased.</p>	GDP evolution and industry structure
Demographic evolution and technology development	<p>In contrast with the demographic decline recorded at EU and Romanian level, the electricity consumption is positively impacted by the changes in the consumer behaviour and the increase in electrification. 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>	Electricity consumption
Changes in regulatory framework	<p>Approved schemes to support customers in the payment of electricity / gas bills, with initial application between 01 November 2021 – 31 March 2022, which granted price caps, compensation for household customers and exemptions for SMEs, subsequently extended for the period 01 April 2022 – 31 March 2025, which capped the prices applicable to final customers, involve the ex post recovery by suppliers of the amounts related to these schemes, risking affecting the supply activity in case of delays in settlement of amounts incurred by suppliers or their complete non-recovery.</p> <p>As of 2022, the new <i>Performance Standard for electricity/gas supply</i> was enforced, bringing higher quality requirements for the supply of electricity, as well as higher obligations concerning the compensation of customers, including the obligation to pay compensations to all categories of customers in case of breach of quality standards.</p> <p>Starting with 01 May 2022, the new rules for the sale of electricity produced by prosumers enter into force, respectively quantitative compensation for customers with installed power up to 200 kW and financial compensation for customers with installed power between 200 and 400 kW, which will generate a new demand flow for this customer segment.</p> <p>Starting from 06 February 2023, the new Regulation for the supply of electricity to final customers entered into force, bringing a series of novelties with an impact on the supply activity (i.e. supply contract with dynamic prices).</p> <p>The new framework contract for the supply of electricity in the universal service regime is approved, an order that also includes the unique invoice model.</p> <p>Regarding the distribution segment, in 2019 the 4th regulatory period began (2019-2023), and ANRE approved significant changes to the Methodology for all elements of the tariff (regulated rate of return, base of regulated assets, own consumption technological, operating and maintenance costs, dynamic distribution tariffs starting with 2020).</p> <p>The year 2024 represents the transition period from the fourth period (RP4) to the fifth regulatory period (PR5); In 2024, ANRE will approve regional distribution tariffs for DEER established on the basis of a single regulated income and a single NL target;</p> <p>The methodological norms approved by ANRE in October 2022 allow the capitalization starting from 2022 of the additional cost with NL compared to the price recognized in the tariffs.</p> <p>The distribution performance standard brought changes in 2022 regarding the compensations</p>	Electricity prices

Key drivers	Description	Impact on
	<p>granted to customers (10 lei/customer) for not reading the meter indexes on time (domestic 3 months; non-domestic 6 months, prosumer 1 month).</p> <p>As regards the connection of users, the Energy Law was amended in the period 2020-2022, so that: in 2021, OD financed the works of connecting domestic and non-domestic customers with lengths of less than 2.5 km, and starting with 2022, the free service for non-households was eliminated, and for households the obligation to finance by the OD only a connection in the average value established by ANRE was maintained.</p>	
The evolution of the electricity price in the market	<p>The weighted average price for transactions concluded on DAM for the first 9 months of 2023 decreased by 61% compared to the same period of 2022. Between 1 January 2023 and 31 March 2025, the mechanism for the centralized purchase of electricity is established, and OPCOM is appointed sole purchaser.</p> <p>The forecast NL price for 2024 is calculated as a weighted average considering 75% the price approved by MACEE and 25% the DAM price for May 2023.</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 aligns with the EU's imperative to become a sustainable society and to reach zero greenhouse gas emissions in 2050. The 2030 Framework provides ambitious targets and therefore more efforts are needed from governments and companies to achieve them.</p>	Electricity prices and consumption, regulatory framework

Source: Electrica

The regulatory framework perspective and the impact on the energy market

Supply segment

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

- The application, between 01 November 2021 and 31 March 2025, of the support schemes for electricity/natural gas customers, introduced by GEO no. 118/2021, approved by Law no. 259/2021 with subsequent changes and additions, GEO no. 27/2022, with subsequent amendments and additions, approved by Law no. 206/2022 and GEO no. 119/2022, approved by Law no. 357/2022, in the context of the price increase on the electricity and natural gas markets at the international and national level, as well as the effects caused by these increases for the Romanian population. The way of implementing these schemes, respectively through the suppliers, and, above all, the settlement mechanism of the amounts granted as support to clients, ex post, from the state budget to the electricity/natural gas suppliers, are of the nature of generating constraints from the point of view of the cash flow, as well as uncertainties regarding the full recovery of the respective amounts by the suppliers;
- Approval of GEO no. 153/2022 by Law no. 206/2023 which also includes a series of changes regarding the recognized average purchase price (it drops from 1300 lei/MWh to 900 lei/MWh), the regularization of non-domestic final customers, who did not benefit from capping in 2021, but who, depending on the consumption achieved in 2022, have the right to benefit, the application of the minimum price between the price resulting from the application of the GEO, the capped price and the price in the contract, the application of the adjustment component, for their implementation a sustained operational effort is required from the suppliers.
- The entry into force of the new Regulation for the supply of electricity to final customers, approved by ANRE Order no. 5/2023 by which new notions were introduced regarding the supply contract with dynamic prices (obligation to make an offer/contract with dynamic prices for EFSA) and active customers with new obligations for the supplier (existing condition of the supply contract for both the place of consumption as well as for place

of consumption and production); were included among the facilities granted to the vulnerable client and the deferment of the invoice payment, upon request, for a period of at least 3 months.

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

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

Distribution segment

For the **distribution segment**, the significant changes in the Romanian legislation were detailed *at chapter 2.2. Subsequent Events* and in *Appendix 10.2.1*.

In 2022, according to the Government's emergency ordinance (OUG) no. 119/2022, the additional costs for the purchase of electricity (determined as the difference between the realized costs and the costs included in the approved distribution tariffs), realized between 01 January 2022 and 31 August 2023, in order to cover the NL, compared to the costs included in the tariffs regulated (and not only loans), are capitalized quarterly and remunerated with 50% of the regulated rate of return (RRR) approved by ANRE, applicable during the amortization period of the respective costs and are recognized as a distinct component in the regulated tariffs, called the component related to additional costs with NL. Also, ANRE developed the Methodological Norms regarding the recognition in tariffs of the additional costs with the purchase of electricity to cover the own technological consumption compared to the costs included in the regulated tariffs, with the aim of establishing the way of

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

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

Energy services segment

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

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

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

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

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

Electricity production segment

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

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

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

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

The human resources area perspective

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, the significant technological changes, as well as the process of succession to a new generation, inherent at the organization level, will determine the transition to new profiles for employees that include a mix of skills and, at the same time, real challenges in recruiting new employees with a high level of expertise in the near future.

Electrica 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 new responsibilities must be part of the strategies and tools used. At the same time, the provision of the necessary human resources and the staff training in key business areas were treated as priority topics, in order to improve operational performance at the same time with individual performance.

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

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

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

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

The concentration of investment effort also towards the electricity generation area, determines the building of new capabilities and the attraction of human resources with appropriate expertise and skills, taking into account training programs for the development of new technologies (including green) and digital skills, design thinking skills development s.o.

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

Promoting the conditions for an inclusive workplace, fair with various perspectives, personalities and backgrounds of employees, is a direction of action for the transformation of the organizational culture.

Thus, the organization adapts to market conditions, customer expectations and the fast pace of technology in order to consistently deliver value.

The IT&C perspective

For the year 2023, in line with the objectives and directions included in the IT&C Strategy approved in 2019 and the Digitization Strategy approved in 2022, the Group proposed the continuation of the consolidation for the ERP systems at the Group's subsidiaries as well as at SE Electrica SA level by implementing SAP4Hanna, synchronizing these requirements with the needs, decisions and initiatives to re-organize the divisions and operational departments. Also, as the Group's activity has developed both in terms of the complexity of transactions (and as a result of the new financial reporting standards), as well as in terms of expansion through the acquisition of new subsidiaries, there is a need to implement a tool at the Electrica Group level - Central Finance, centralized, which will make both the financial reporting process and the planning process more efficient.

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

Group going concern analysis

The Group has prepared a forecast that includes the following assumptions:

- A continuation of the support scheme until 31 March 2025 according to the applicable legislation but with a more stable flow of repayments of the reimbursement requests for subsidies as compared with last year, as the mechanism has been operationally improved;
- An increase in the recovery rate of subsidies receivable, according to the legislation in force and in correlation with the adoption of Ordinance no. 30 of 10 August 2023, which stipulates that the Ministry of Finance is authorized to fund the account provided by GEO no. 27/2022 with the amounts corresponding to the solidarity contribution collected in 2023. In the first part of 2023, the recoverability of subsidies was low and did not comply with the terms provided by the legislation, but once with the approval of GEO no. 30 of 10 August 2023, the Electrica Group considers that during the forecast period the subsidies will be collected according to the previously mentioned terms;
- The utilization of confirmed debt facilities up to a limit of RON 5,988.3 mn., including RON 3,089.0 mn. overdraft limits (out of which RON 2,746.9 mn. used until 30.09.2023) and RON 2,899.3 mn. long term loans limit (out of which RON 1,104.6 mn. long term loans used until 30.09.2023);
- The utilization of not yet confirmed facilities, overdraft and long term loans for financing working capital needs amounting to RON 510.0 mn. which will be drawn during the forecast period;
- Also, the Group obtained the approval of the GSM to perform one or more bond issuance within a ceiling of up to RON 900.0 mn. in the period 2022-2024. The intention is to make a first issuance of up to RON 480.0 mn. by the first half of 2024, the respective amounts attracted will be able to be used as a liquidity buffer at the Group level.

The regulatory position may be further amended and there may be further laws enacted which could adversely impact the Groups operating cash flows during the forecast period. Given the current market uncertainties, the Group is closely monitoring the market context and is continuously analysing the opportunities for optimisation of debt and increase of bank overdrafts and long-term loans. In light of the importance of the Group as the supplier and distributed of electricity on the Romanian market, having 39.7% (according to the latest ANRE report 2022 for the distribution segment) as market share on the electricity distribution and 17.96% (according to the latest ANRE report 2022 for the supply segment) as market share on the electricity supply market and having as main

shareholder of Electrica SA the Romanian State, the management believes sufficient financing will be made available to cover any financing requirements arising from market uncertainty and Group will be able to meet its obligations as they fall due.

8. Capital Expenditures

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

Capital Expenditures approved by the Board of Directors for the year 2023 was in total amount of RON 1,083.2 mn.

Electrica's capital expenditures in the nine months period ended 30 September 2023 and 30 September 2022 amounted to RON 750.0 mn. and RON 408.7 mn., respectively.

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

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

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

9. Statements

Based on the best available information, we confirm that the interim condensed consolidated financial statements not reviewed and unaudited for the nine month period ended 30 September 2023 prepared in accordance with OMFP 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards adopted by the European Union with subsequent changes, provides an accurate and real image regarding the Electrica Group's financial position and the financial performance, 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 2023, comprises accurate and real information regarding the Group's development and performance.

Chair of the Board of Directors,

Iulian Cristian BOSOANCA

Chief Executive Officer,

Alexandru-Aurelian CHIRITA

Chief Financial Officer,

Stefan Alexandru FRANGULEA

10. Appendix

10.1. Appendix 1 - Economic and financial indicators of Electrica Group as of 30 September 2023 according to Annex 13/ASF Regulation no. 5/2018

Indicator	Formula	Value
Current liquidity ratio	Current assets/Current liabilities	0.89
Capital Gearing Ratio	Debt/Equity * 100	22.1%
Trade receivables turnover	Average balance trade receivables/ Turnover * 270	85 days
Non-current asset turnover ratio	Turnover/Non-current assets	0.95

10.2. Appendix 2 - Applicable legal framework - issued in 2023

A.10.2.1 Distribution segment

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

2023	
<p><u>Regulations regarding tariffs:</u></p>	<ul style="list-style-type: none"> ▪ The distribution rates approved starting with 01 April 2023 were approved by ANRE Order no. 27/2023, the regional average tariffs for DEER having the following increases compared to the tariffs from 01 April 2022: MN +26.1%, TN +21.5%, TS +10.9%; - effective from 01 April 2023. ▪ The specific tariffs applicable starting from 01 April 2023 are composed of the main component and a component related to additional costs with NL, the latter was not subject to the 7% limitations imposed for tariff increases, being recognized as a distinct component of tariffs related to capitalized costs recognized with additional NL for the year 2022, amortized over a period of 5 years from the date of capitalization and remunerated with 50% of the regulated rate of return approved by ANRE, according to GEO no. 119/2022. • ANRE Order no. 1/2023 for the modification and completion of some orders of the ANRE - effective from 17 January 2023 <ul style="list-style-type: none"> ▪ The methodology for establishing distribution tariffs - is modified and provides for the granting of the RRR incentive of 2% for investments from EU funds only if they have not benefited from the PCI incentive ▪ The project was developed as a result of ANRE's obligation to present to ACER, by 24 January 2023, the methodology and criteria used to evaluate investments, in the sense of alignment with Regulation (EU) 2022/869: <ul style="list-style-type: none"> ▪ energy infrastructure projects and high risk assessment ▪ the specific risks to which offshore networks for energy from renewable sources are exposed • ANRE order no. 79/2023 regarding the modification and completion of the Methodology for establishing tariffs for the electricity distribution service, approved by ANRE Order no. 169/2018 - effective from 10 July 2023 <ul style="list-style-type: none"> ▪ The changes take into account the definition of the year 2024 as a transition year from RP4 to RP5 and the establishment of the target income for the year 2024 according to the Methodological Norms that complete the Methodology (Annex 1^1) ▪ For DEER, in 2024: single regulated revenue, zonal distribution tariffs, single NL targets. ▪ For all DOs: <ul style="list-style-type: none"> ▪ The 2024 NL target is established using the reduction gradient 2023 compared to 2022 applied to 2023 ▪ The 2024 NL reference price is calculated as a weighted average considering 75% the price approved by MACEE and 25% the DAM price in May 2023. ▪ The regulated rate of return for 2024 remains at 6.39% ▪ The inflation rate used to calculate the 2024 tariffs is equal to the one forecasted by CNP for the year 2024. ▪ The inflation corrections related to RP4 will be calculated in 2024 and will be added to the target income of 2025 • ANRE Order no. 82/2023 regarding the modification and completion of ANRE orders – effective 15 August 2023 <ul style="list-style-type: none"> ▪ <i>Energy technical norm regarding the determination of own technological consumption in public interest electric networks - NTE 013/16/00, approved by ANRE Order no. 26/2016</i> <ul style="list-style-type: none"> ▪ it is stipulated that the determination of the quotas assigned to the producers and the transport operator from the amount of NL related to the additional transit of electricity from the 110 kV electrical networks, should be carried out by the DO ▪ <i>The methodology for establishing tariffs for the electricity distribution service, approved by ANRE Order no. 169/2018</i> <ul style="list-style-type: none"> ▪ DO recovers from the TSO the counter value of the amount of NL related to the additional transit of electricity, for the quotas assigned to producers and TSOs. ▪ the amount of NL related to the additional transit of electricity from the 110 kV electrical networks, determined according to ANRE regulations, is taken into account in the annual correction of the regulated NL at the request of the operator, by reducing the amount of NL realized. ▪ the revenues recorded from the recovery from the TSO of the counter value of the amount of NL related to the additional transit of electricity from the

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110 kV electrical networks are not taken into account when determining the corrections of the regulated income.

- **Draft Order regarding the modification and completion of the Methodological Norms regarding the recognition in tariffs of the additional costs with the purchase of electricity to cover NL compared to the costs included in the regulated tariffs, approved by ANRE Order no. 129/2022 – public consultation – phase II**
 - Introduction of provisions regarding the method of determining additional costs with NL for the period 1 September 2023 – 31 March 2025, respectively:
 - the introduction of the obligation to transmit by DO/TSO the forecasts of the quantities of electricity in the balance sheet, broken down by quarters;
 - the cost with NL for quarter 1 2023 is calculated as the product of the price and quantity of NL quarter 1 2023, used to calculate the rates 1 April 2023;
 - the cost with NL for quarters 2-4 of 2023 included in the tariffs, is calculated as the difference between the cost with NL 2023 used in the tariffs on 1 April 2023 and the cost with NL quarter 1 2023
 - realized costs recognized ex-ante, based on the costs realized in the first 3 quarters and the estimated costs for the 4th quarter (determined on the basis of the quantity and price of NL included in the tariffs)
 - recalculation of capital costs as a result of the adjustment of additional capitalized costs due to:
 - a) the final closing of each year (differences resulting from the recalculation of additional capitalized costs due to differences resulting from NL quantity or price);
 - b) the differences between the inflations used to determine the capital costs included annually in the component and the actually realized inflations (adjustment of depreciation and profitability as a result of the use of forecasted inflation rates different from those actually realized, which are carried out in the year following the publication of the inflations realized by to the competent institutions).
 - c) the inflation correction related to NL costs included in the regulated tariffs according to the Methodology for setting tariffs, which leads to the adjustment of the capitalized NL value)."
 - The differences in capital costs mentioned in points a), b) and c) above will be included in the related component of the additional costs with NL from the tariffs of the following year(s).
 - Completing/amending some existing provisions regarding:
 - transmission of the values achieved for the first 3 quarters of 2023 by the deadline of 31 October of the current year,
 - the transmission of the annual values of the current year, broken down by quarters, until the deadline of 15 February of the following year
 - ANRE transmits to TSO/DSO the recognized annual values of capitalized costs for the previous year until March 15 of the year following the year of capitalization of additional costs.
 - the method of recognizing capital costs so that they are applicable for the entire period 1 September 2023 – 31 March 2025.

**Investments
Procedure**

- **ANRE Order no. 1/2023 for the modification and completion of various orders of the ANRE - effective from 17 January 2023**
 - Methodology for the evaluation of investments in projects of common interest (PCI) approved by ANRE Order no. 139/2015 is amended as follows:
 - expanding the scope of the Methodology for DO investments (in addition to TSOs)
 - granting a 1% RRR incentive for PCI
 - expanding the scope of the type of PCI from electric transmission networks to: a) electric transmission and distribution networks; b) offshore networks for energy from renewable sources; c) projects that integrate innovative technical solutions and which, although they have low capital costs, involve significant operating costs.
- **ANRE Order no. 6/2023 for the completion of the Procedure regarding the substantiation and approval of the investment plans of TSOs and DOs, approved by ANRE Order no. 98/2022 - effective from 13 February 2023**
 - provides for the submission by DO to ANRE of the Development Plan for the period 2024-2033, by 1st of July 2023
 - Modifications consider the recognition of DO investments in energy storage and production of energy for consumption and NL:
 - the inclusion in the category of justifiable investments of energy production facilities from renewable sources for NL supply and control consumption in the station;
 - the inclusion of electricity storage facilities in the category of necessary investments;

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	<ul style="list-style-type: none"> ▪ the possibility for DO to own storage facilities, by 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, for the purpose of recognition by ANRE (Annex no. 8). <ul style="list-style-type: none"> • Order no. 80/2023 for the modification and completion of the Methodology for evaluating the financing conditions of investments for the electrification of localities or for the expansion of electricity distribution networks approved by ANRE Order no. 36/2019, with subsequent amendments and additions – effective from 20 July 2023 <ul style="list-style-type: none"> ▪ obligation for the DO to return to the public authority and/or the user/group of users, the financing quota paid by them and to take ownership of the network elements related to the returned quota, in the situation where the respective network is located in the urban area of the locality. The deadline for the refund of the financing quota is 31 January of the calendar year following the one in which the network was put into operation. ▪ the ineffective share of the work of electrification/extension of the electricity network, resulting from the recalculation based on the value without VAT from the minutes of reception of the commissioning, returned by the DO to the public authority and/or the user/group of users, is recognized in the regulated income of the DO of the year following the restitution, based on supporting documents regarding the amount and proof of the restitution. ▪ for the electrification or expansion of electrical distribution network carried out through co-financing, the deadline for the recalculation of the efficiency ratio of the works has been extended to 30 days from the completion of the works and the signing of the acceptance minutes upon completion of the works and acceptance of the commissioning. ▪ for the works carried out in the outskirts of the localities, the maximum term of 90 days was specified in which the DO and the co-financing participants, respectively the local authority and/or the user/group of users pay the regularization amounts in correlation with the recalculated investment efficiency rate. 90 days before the expiration of the 5-year term from the network's commissioning, ODC recalculates the investment efficiency rate resulting from the subsequent connection of other users and returns to the financing co-participants the difference between the co-financing rate that was due to them initially and the co-financing rate resulting from the efficiency recalculation. ▪ for the implementation of local electrification works/network extension, in the case of co-financing, DO together with the public authority in its own name and/or as a representative of the users, as the case may be, or together with the user/group of users through an authorized representative tripartite contract for the execution of works with a certified economic operator, in compliance with the legal provisions in force. ▪ The modifications and additions apply to the public authority/user/group of users who submitted an application for the development of the electrical distribution network for the electrification of the locality or for the expansion of the electrical distribution network, after the date of entry into force of Law no. 248/2022 regarding the approval of GEO 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, with subsequent modifications, respectively 25.07.2022.
<u>Licenses</u>	<ul style="list-style-type: none"> ▪ ANRE Order no. 66/2023 regarding the approval of the Regulation for the authorization of electricians in the field of electrical installations, respectively of project verifiers and quality technical and extrajudicial experts in the field of technological electrical installations – effective from 1 May 2023 <ul style="list-style-type: none"> ▪ the proof of the qualifications of an authorized electrician in the field of electrical installations, an authorized project verifier or a quality technical expert and authorized extrajudicial in the field of technological electrical installations will be achieved by the issuance by the competent authority of an authorization, a nominal and non-transferable document; ▪ the method of submission of documents by applicants will be realized by uploading them on the ANRE portal or in the PCUe platform and eliminating the possibility of submitting them directly to the ANRE registry or by post; ▪ modification of the procedure for organizing the examination for the authorization of electricians, respectively the interview for the authorization of project verifiers, as well as quality technical and extrajudicial experts in the field of technological electrical installations; ▪ it is proposed to facilitate obtaining the qualification of licensed electrician, by completing the list of acceptable professional qualifications (CPA) with a new qualification (CPA 4.1) which is applicable to qualified workers in the field of energy, electrotechnical, electromechanical or electrical installations for constructions, having also the diploma baccalaureate in a field other than these. ▪ Draft order regarding the modification of the General Conditions associated with the license for aggregation activity, approved by ANRE Order no. 196/2020 – public consultation

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	<p>Updating definitions:</p> <ul style="list-style-type: none"> ▪ aggregate entity - entity resulting from the voluntary aggregation of electricity producers and/or final customers (consumers) of electricity and/or owners of electricity storage facilities, which manages a UA; ▪ aggregate unit - the portfolio of places of production (UC) and/or consumption (CC) and/or storage facilities (ISC) managed by an EA, which meets the condition that the sum of the maximum simultaneous electrical powers approved to be absorbed/ debited (registered in the ATR/ the related UC/CC/ISC connection certificates) to be at least 1 MW and the condition that there is the technical ability to respond to the dispatcher's instructions (the ability of the UA and its components to be controllable).
<p><u>Smart metering regulations (SMR):</u></p>	<ul style="list-style-type: none"> ▪ ANRE Order no. 13/2023 approving the contract - framework for the provision of electricity in the universal service regime, the general conditions for the provision of electricity in the universal service regime and the invoice model applicable to household customers - effective from 01 April 2023 Provisions regarding the SMR in the framework contract for universal service electricity supply framework – <ul style="list-style-type: none"> ▪ DO have the obligation to invoice monthly the distribution service to end customers with meters integrated in the SMR based on the recorded data; ▪ DO have the obligation to ensure the meter reading and to communicate monthly the measured data for customers who have meters integrated in the SMR in case the connection to the communication system is interrupted; ▪ for final customers who have meters integrated in SMR, regularization invoices are not issued.
<p><u>Technical regulations</u></p>	<p>a) Network connection</p> <ul style="list-style-type: none"> ▪ ANRE Order no. 4/2023 for the modification and completion of ANRE orders in the field of connection to the public interest electric network of users - effective from 03 February 2023 <ul style="list-style-type: none"> ▪ the modification and completion of the following regulations, in the sense of including the possibility of household customers, PFA, individual businesses, family businesses and public institutions whose places of consumption are connected to LV, as well as prosumers, to purchase the metering group or the protection block and measure fully equipped, including the meter in compliance with the technical specifications provided by TSO/DSO: <ul style="list-style-type: none"> ○ Connection Regulation ○ The procedure regarding the connection to LV networks of household customers - ANRE Order no. 18/2022 ○ Connection framework contracts - ANRE Order no. 105/2022 ○ The procedure regarding the connection to the networks of the prosumers - ANRE Order no. 19/2022 ▪ TSO/DSO is obliged to reimburse the user the value of these equipments at the terms established in the connection contracts; the reimbursement is made on the basis of the supporting documents presented by the user, without being limited to: tax invoice, compliance certificates, warranty certificates, etc. ▪ the obligation of the DO to mount the meter is maintained, the deadlines in force stipulated in the connection contracts being maintained.
<p><u>Technical regulations</u></p>	<ul style="list-style-type: none"> ▪ ANRE order no. 11/2023 for the modification and completion of the Methodology for issuing location notices by network operators, approved by ANRE no. 25/2016 - effective from 13 March 2023 <ul style="list-style-type: none"> ▪ the definition of "risk analysis" was introduced as technical-economic documentation for the analysis of the impact of non-compliance with the regulated coexistence conditions. This is drawn up by a quality and extrajudicial technical expert in the field of technological electrical installations, who holds a license/certificate issued by ANRE, or by a qualified expert in the prevention and reduction of technological risks ▪ clarifications were made regarding the use of the favorable location notice conditional on the issuance of the building permit. ▪ through the changes made, it will allow the use of the coexistence study drawn up in the approval phase of the urban planning documentation and in the procedure for issuing the site approval. ▪ ANRE Order no. 21/2023 regarding the modification and completion of the Methodology for the exchange of data between the transport operator and the system, distribution operators and significant network users approved by ANRE Order no. 233/2019 - effective from 04 April 2023 <ul style="list-style-type: none"> ▪ the introduction of electricity storage facilities connected individually to the electrical network, with a response in providing active power distinctly from electricity production facilities; ▪ detailing the relevant system users who are the subject of information transmission to DO and TSO; ▪ detailing the method of transmitting data from relevant system users, directly and indirectly, to DO and TSO. ▪ in accordance with the provisions of the norm for connecting storage facilities, it is necessary to specify: <ul style="list-style-type: none"> ○ communication path, redundancy and data exchange for storage facilities. These storage installations can be linked with the electricity production installation or they can be operated independently.

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- how the programmed and planned data exchange is carried out until the provisions of ANRE Order no. 127/2021, with subsequent amendments and additions.
- **ANRE Order no. 60/2023 for the modification and completion of the Methodology for establishing user connection rates to public interest electrical networks, approved by ANRE Order no. 11/2014** – effective from 21 April 2023
 - completion of the list of normative acts, with ANRE Order no. 105/2022, within which the two types of strengthening works are defined: specific and general.
 - if general strengthening works are needed to connect a production site or a consumption and production site, the calculation method currently provided in the Methodology is maintained. Thus, the users will bear the costs of the general strengthening works established on the basis of the general estimate, but no more than a calculation value, established taking into account the power approved for discharge into the network for the respective place of production/consumption and production, as well as the specific rates approved by ANRE.
- **ANRE order no. 70/2023 for the modification and completion of some ANRE orders in the field of connection to the public interest electric network of users** – effective from 31 May 2023
 - Regulation regarding the connection of users to the public interest electrical networks approved by ANRE Order no. 59/2013:
 - in the case of existing power plants/generating units from renewable sources for which the retrofitting projects lead to an increase of up to 15% of their total installed power compared to the value recorded in the valid connection certificate, the issuance of the technical connection approval is carried out within the maximum 3 months from the date of registration of the connection request and the complete documentation at the DO/TSO, with the exception of the case where there are justified concerns in terms of safety or there is a technical incompatibility with the system components.
 - Procedures regarding the connection to the electric networks of public interest of places of consumption and production belonging to prosumers approved by ANRE Order no. 19/2022:
 - description of the rules for connecting to an existing place of consumption/place of consumption and production of electricity production facilities from renewable sources of prosumers and demonstration projects, with installed powers of no more than 10.8 kW for three-phase or equivalent connections of this power for connections other than three-phase ones.
 - according to GEO no. 163/2022, *"in case of a decision approving the connection of the distribution operator or in the absence of a decision on his part, within one month from the notification, the installation or the aggregate production unit can be connected"*, the period between the date of the notification regarding the installation of generating units at a place of consumption/consumption and production or the connection of demonstration projects and the date of putting under voltage is a maximum of 1 month.
- **ANRE Draft order for the amendment and completion of ANRE Order no. 239/2019 for the approval of the Technical Norm regarding the delimitation of protection and safety zones related to energy capacities** - public consultation
 - clarifications regarding the use of the formula for calculating the size of the safety zone $Z(\text{sig})$, established in point 2.3 of Annex no. 6 to Norm;
 - the restriction regarding the application of the provisions of the Norm in the regulated passage corridor of the LEA, respectively in the area located between the limit of the safety zone and the limit of the regulated passage corridor, and their application only in the safety zone of the LEA, whose width is calculated with formula from point 2.3 of Annex no. 6 to Norm;
 - the conditions under which the risk analysis will be required have been specified, depending on the positioning of the objectives in relation to the safety zone and respectively in the area located between the limit of the safety zone and the limit of the standard passageway;
 - provisions were established regarding the placement of photovoltaic panels on the roofs of buildings.
- **ANRE Draft Order for the amendment and completion of ANRE Order no. 102/2015 for the approval of the Regulation on the establishment of solutions for connecting users to electric networks of public interest** - public consultation
 - addition to the list of situations in which the connection solution is established by the solution sheet:
 - of consumption places owned by authorized natural person users, individual businesses, family businesses and public institutions that connect to the low voltage network, regardless of the requested power;
 - of the places of consumption and production belonging to prosumers who own electricity production units from renewable sources with an installed power of no more than 400 kW per place of consumption;
 - of the local public authorities that have the capacity to produce electricity from renewable sources made, partially or totally, from structural funds, and that benefit from the suppliers with whom they have an electricity supply contract, on request, from the financial regularization service.

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- the introduction of the provision according to which the solution study must also contain connection options with the operational limitation of the maximum power that can be discharged into the network in situations/operating regimes with N-1 elements in operation that have the effect of overloading the network and, consequently, the impossibility of the network elements remaining in operation and of the network as a whole to operate for an unlimited time under these conditions.
- the introduction of the provision according to which in the solution sheet or, as the case may be, in the solution study, it must be highlighted whether in the connection solution the electrical networks for which strengthening works have been executed or are being executed to create the technical conditions required to connect several production/consumption and production sites (general strengthening works), financed by users who benefit from the same strengthening works and whose utility installations are energized before the user's own utility installations. It is also stipulated that, in this case, the data on which the participation quotas due to the users who financed the strengthening works are calculated are to be specified in the solution sheet or in the solution study.
- the elimination of the phrase dispatchable/non-dispatchable with regard to generating units/power plants, taking into account the provisions of ANRE Order no. 127/2021.
- **ANRE Draft order for the amendment and completion of ANRE Order no. 95/2018 regarding the approval of the mandatory clauses in the contracts for the provision of services in order to carry out the connection works to the electric grids of public interest** - public consultation
 - the proposed amendment refers to the price that TSO/DSO pays to the economic operator certified by ANRE for the provision of services for connection works to public interest electrical networks;
 - the provision according to which the price of the contract, initially estimated, is fixed is replaced by a provision that orders the updating of this price, corresponding to the effective consideration of the services performed for the realization of the connection installation. The price of the contract, initially estimated, represents the costs for making the connection installation established by the TSO/DSO through the connection tariff or, if the contract is concluded by the TSO/DSO with a specific designer and/or certified builder, chosen by the user, the price is the agreed following the negotiation between the economic operator and the user.
 - the price update will be carried out through an addendum to the contract.
 - it is proposed to include a provision according to which the provisions of the order should apply including to users for whom, on the date of entry into force of the order, TSO/DSO have concluded contracts for the provision of services in order to carry out connection works to the public interest electrical networks, but for which the installations connection were not put into operation.

b) Prosumers

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

c) Storage

- **ANRE Order no. 3/2023 regarding the approval of the Technical Norm "Technical requirements for connection to public interest electrical networks for electricity storage facilities and the notification procedure for connecting electricity storage facilities"** - effective from 20 January 2023
The norm was developed by the TSO, it establishes technical requirements for connected storage installations:
 - individually to the public electricity network, classified in categories A, B, C and D in a similar way to electricity production facilities;
 - within the electricity production sites;
 - within the places of electricity consumption.
- **ANRE Order no. 99/2023 for the approval of the Regulation on granting the transmission and system operator and the distribution operators the right to own, develop, manage or operate electricity storage facilities that represent fully integrated network components** - effective from 6 November 2023
 - the situations in which the energy storage facilities (ISE) that can be owned by TSOs/DSO represent fully integrated network components (CRCI) are established.
 - an ISE can be considered CRCI for the following purposes that ensure the reliability of the transmission/distribution network and safety in the supply of electricity:

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	<ul style="list-style-type: none"> a) ensuring the maintenance of critical equipment under voltage in the electrical stations of the TSO/DSO in the event of an interruption of their power supply system, thus allowing the TSO/DSO to manage its networks safely; b) ensuring the continuity of the electricity supply [in specific situations of planned/unplanned interruptions of the electrical stations, until the resumption of normal activity]; c) providing services that do not aim to stabilize the frequency for: <ul style="list-style-type: none"> i. synchronization between different parts of the transport/distribution system; ii. reduction of reactive power fluctuations through rapid injections of reactive current; iii. ensuring inertia for the stability of the local transport/distribution network; iv. the provision of restoration services, respectively the ability to start with own sources and the ability to operate in isolated mode ▪ a CRCI cannot be used by the TSO/DSO to buy or sell electricity on the electricity markets: for the purpose of system balancing or congestion management or to cover the own technological consumption of the electricity network. ▪ each TSO/DSO must develop/update the list of critical equipment in electrical substations for which the right to own, develop, manage or operate a CRCI is requested. The list of critical equipment is drawn up and updated whenever necessary according to the internal procedure of each TSO/DSO and is sent to ANRE for information.
	<p><u>d) Distribution service performance standard</u></p> <ul style="list-style-type: none"> ▪ ANRE Order no. 13/2023 approving the contract - framework for the provision of electricity in the universal service regime, the general conditions for the provision of electricity in the universal service regime and the invoice model applicable to household customers - effective from 01 April 2023 <p>Provisions related to the Standard distributed in <u>the contract - universal service electricity supply framework</u> - the compensations and penal interest that the household customer is entitled to receive for the supplier's non-compliance with the obligations stipulated in the Performance Standard for the activity of supplying electricity and for the non-compliance by the distribution operator with the performance indicators stipulated in the Performance Standard for the electricity distribution service, in force.</p>
<u>Conformity</u>	<ul style="list-style-type: none"> ▪ Order no. 90/2023 for the modification and completion of some orders issued by ANRE – effective from 5 October 2023 <ul style="list-style-type: none"> ▪ Period of appointment of compliance agents nominated by DSO/OI and approved by ANRE: minimum 2 calendar years and maximum 4 calendar years ▪ By 10 December of each year, the compliance agent submits to ANRE a report on the measures taken and his conclusions regarding the fulfillment/observance by the OD/OI of the compliance program and the provision of the resources necessary to carry out the activity by the DSO/OI; ▪ Until 15 November 2023, DSO/OI, which are part of vertically integrated economic operators, have the obligation to submit the nominations of compliance agents to ANRE for approval.
<u>Commercial (Trading) Regulations</u>	<ul style="list-style-type: none"> ▪ ANRE Order no. 5/2023 for the approval of the Regulation for the supply of electricity to final customers - effective from 6 February 2023 <ul style="list-style-type: none"> ▪ the need to correlate the provisions of the Electricity Supply Regulation to final customers with the provisions of Law no. 123/2012 of electricity and natural gas, as amended and supplemented by GEO no. 143/2021, and Annex 1 to Directive (EU) 2019/944. ▪ elimination of the provisions that refer to the activity of the DO in the relationship with the supplier and its obligations regarding its own activity ▪ detailing the way in which DO ensures unrestricted, free and guaranteed access to the information in the database regarding the places of consumption connected to the electrical distribution network in the license area; ▪ the introduction of the notion of an active client, the quality of an active client is certified, by the DSO/TSO, for: <ul style="list-style-type: none"> a. participation in flexibility or energy efficiency programs, to which the customer's place of consumption is connected; b. the production of electricity, by the DSO/TSO to which the place of consumption and production is connected; ▪ elimination of the obligation to conclude the consumption agreement by the customer at the conclusion of the electricity supply contract; ▪ the customer's possibility to ask the supplier to change the monthly values from the consumption agreement for a determined period, these being applied by the DO and the supplier starting with the 1st of the month following the one in which he received the new values; ▪ the consumption data from the consumption agreement can be modified by the DO at any time during the execution of the electricity supply contract, including the data from the consumption agreement modified by the customer, in order to adapt to the actual consumption achieved; ▪ DO has the obligation to verify the necessity of changing the data related to the consumption convention with the same frequency with which the reading of the index of the measurement group takes place. If the DO modifies the data in the consumption agreement, it transmits the modified values to the supplier; ▪ the introduction of the obligation of the DO to ensure the reading of the index of the measurement group at a time interval of maximum 3 months in the case of places of consumption belonging to household customers, except for those integrated in the SMR; ▪ in the event that the DO has not performed the reading within the time frame established by the legal provisions in force, in order to issue the regularization

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	<p>invoice, the latest self-read index and communicated by the client is used after the most recent index read and communicated by the DO. The regularization period cannot be longer than 3 years;</p> <ul style="list-style-type: none"> ▪ elimination of the conditions for concluding the distribution contract directly by the end customer; specifying that the conclusion of the distribution contract must be carried out by the final customer with the DO only if the place of consumption has several suppliers at the same time or is the subject of participation in the aggregation by an independent aggregator; ▪ ANRE Order no. 13/2023 approving the contract - framework for the provision of electricity in the universal service regime, the general conditions for the provision of electricity in the universal service regime and the invoice model applicable to household customers - effective from 01 April 2023 <p>Provisions with impact on DO in the contract - universal service electricity supply framework - regulates the way in which the contracts in force are applied under the conditions of entry into force of the order and also provides that the price from the universal service offer is applied for a period of minimum 3 months.</p> <p>Provisions with impact on DO:</p> <ul style="list-style-type: none"> ▪ the reading interval of the measurement group index is at most 3 months; ▪ regularization of electricity consumption is done for a maximum of 3 months and is included in the first invoice issued after reading the index by the distribution operator (DO); ▪ communication through the invoice of the time interval for reading the index of the measurement group by the DO representative; ▪ invoicing based on the data established by the electricity consumption convention for the invoicing periods in which the index of the metering group is not read and the household customer does not transmit the self-read index;
<u>Compliance Regulation</u>	<i>No changes or additions to the legislation were issued until the moment of publication of this report.</i>
<u>Primary legislation:</u>	<i>No changes or additions to the legislation were issued until the moment of publication of this report.</i>
<u>Alignment with the European legislation - EU Regulation no. 943/2019:</u>	<p><u>Electricity market functioning</u></p> <ul style="list-style-type: none"> ▪ ANRE Order no. 12/2023 for the approval of the Regulation regarding the organized framework for trading on the organized future electricity markets administered by the Electric Energy and Natural Gas Market Operator OPCOM S.A., which aims to simplify the organized framework for trading electricity on the markets organized by future electricity, through the trading platforms managed by S.C. OPCOM S.A – effective from 28 March 2023 <p>Provides rules that refer to:</p> <ul style="list-style-type: none"> ▪ the types of products that can be traded on the standardized and flexible term product markets; ▪ the method of establishing offers for the sale or purchase of electricity; ▪ the way of organizing auctions/trading sessions; ▪ the way of establishing transactions and contracting the traded energy; ▪ the way of managing and publishing information on participants, offers and concluded transactions. <ul style="list-style-type: none"> ▪ ANRE Order no. 20/2023 for the approval of the Regulation on the organization and operation of the organized electricity market, administered by the Romanian Stock Exchange - S.A. – effective from 05 April 2023 <p>Provides rules that refer to:</p> <ul style="list-style-type: none"> ▪ Introduction of a chapter on organized market segments ▪ The introduction of new products, namely flexible products and products derived from the field of electricity, settled by physical delivery ▪ Description of the trading mechanisms used ▪ Expanding market transparency information ▪ Introduction of requirements regarding the use of a liquidity provider <p>Upon entry into force of the order, ANRE Order no. 117/2022 for the approval of the Regulation on the organization and operation of the electricity futures contract market organized by the company Romanian Stock Exchange S.A., and within 30 days of approval, BRM publishes the operational procedures according to the Regulation entered into force.</p>

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- **ANRE Order no. 17/2023 for approval of the methodology for monitoring the wholesale electricity market** - effective from 03 April 2023
 - the purpose and scope of the methodology for monitoring the wholesale electricity market have been extended to include ANRE's monitoring obligations as a result of the changes brought about by the entry into force of Law 123/2012, and the increased complexity of the types of data/indicators required by the relevant European institutions (ACER/CEER);
 - update definitions/abbreviations used, reference documents referred to in the regulatory proposal and economic operators to which the provisions of the monitoring methodology apply;
 - taking into account the amendments made to Law no. 123/2012, the system of specific indicators for the markets on which electricity is traded (structure indicators, market efficiency/performance assessment indicators, market participant behaviour indicators) has been adapted and completed for each of the monitoring entities with responsibilities in the field (ANRE, NEMO and TSO).
 - for a clearer understanding of how to report and therefore for accurate, complete and timely reporting, additional details have been provided on the data required on the monthly templates submitted by market participants.
- **ANRE Order no. 18/2023 for approval of the methodology for monitoring the retail electricity market** - effective from 04 April 2023
 - the scope and coverage of the methodology for monitoring the retail electricity market have been extended to include ANRE's monitoring obligations as a result of the amendments to Law 123/2012 and the increased complexity of the types of data/indicators frequently requested by the relevant European institutions (ACER/CEER);
 - the system of indicators allows for a European approach to monitoring the retail electricity market, as they are developed in line with the public documents developed by CEER on the proper functioning of retail electricity markets in Europe, working tools for regulators in member countries.
 - for a clearer understanding of how to report and therefore for accurate, complete and timely reporting, the data aspects required on the monthly templates submitted by retail market participants have been detailed.
- **ANRE order no. 88/2023 for the amendment of ANRE Orders regarding the electricity market** – effective from 26 September 2023
 - ANRE order no. 127/2021 for the approval of the Regulation on the clauses and conditions for the balancing service providers and for the frequency stabilization reserve providers and the Regulation on the clauses and conditions for the parties responsible for balancing and for the modification and repeal of some ANRE orders, applies from on **1 April 2024**.
 - ANRE order no. 128/2021 for the approval of the rules for suspending and restoring market activities and the applicable settlement rules, applies from **1 April 2024**.
- **ANRE Draft Order regarding the repeal of ANRE Order no. 97/2013 for the approval of the rules regarding the purchase of electricity to cover own technological consumption related to electrical networks** - public consultation
 - Considering the fact that the provisions included in the ANRE Order no. 97/2013, regarding the acquisition by TSOs and DOs for NL coverage related to the electrical networks they operate, were taken over within ANRE Orders no. 213/2020, respectively no. 127/2021, with subsequent amendments and additions, it is proposed to repeal ANRE Order no. 97/2013, with subsequent amendments and additions.

Source: Electrica

A.10.2.2 Supply segment

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

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a. Primary legislation:

- **Law no. 5/2023** — Law on the amendment and completion of Law no. 220/2008 for the establishment of the system for the promotion of energy production from renewable energy sources
 - is amended and supplemented Law no. 220/2008 regarding the trading of green certificates after the expiration of the accreditation period, the recovery of improperly issued green certificates, etc.
- **Law no. 15/2023**— Law on the approval of the Government Emergency Ordinance no. 3/2022 for the amendment and completion of the Government Emergency Ordinance no. 118/2021 regarding the establishment of a compensation scheme for the consumption of electricity and natural gas for the cold season 2021—2022, as well as for completing Government Ordinance no. 27/1996 regarding the granting of facilities to people who live or work in some localities in the Apuseni Mountains and in the "Danube Delta" Biosphere Reserve
 - GEO no. 3/2022 is approved.
- **GEO no. 32/2023** - Emergency Ordinance for amending and supplementing Government Emergency Ordinance no. 166/2022 regarding some measures to provide support to categories of vulnerable people for the compensation of the energy price, partially supported by external non-reimbursable funds.
 - GEO 166/2022 is amended/supplemented with the following specifications:
 - if several beneficiaries of the support are domiciled or reside at a place of consumption, it will be granted only once per place of consumption, regardless of whether or not it is the holder of the supply contract, provided that the place of consumption coincides with the domicile or the residence of the beneficiary of support, respectively with the address mentioned in the document that certifies the inclusion in one of the beneficiary categories;
 - to make a payment by means of energy cards, the beneficiaries must present the following documents: the energy card valid on the date on which the payment is made, the identity document of the beneficiary, in original; supporting documents proving the current and/or outstanding debt to the energy supplier that must be issued after 1 January 2023 and for energy consumption after 1 February 2022 or, as the case may be, the debt validation certificate obtained from the homeowners association.
- **Law no. 206/2023** - Law on the approval of the Government Emergency Ordinance no. 153/2022 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 amendment and completion of some normative acts in the field of energy and the amendment of the Government Emergency Ordinance no. 119/2022 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 amendment and completion of some normative acts in the field of energy
 - GEO no. 153/2022 is approved (GEO no. 27/2022, GEO no. 119/2022 and GEO no. 153/2022 are amended), with modifications regarding the recognized average purchase price (it drops from 1300 lei/MWh to 900 lei/MWh), the regularization of non-domestic final customers, who did not benefit from capping in 2021, but who, depending on the consumption achieved in 2022, have the right to benefit (the deadline for regularization is the second semester of 2023), the application of the minimum price between the price resulting from the application of the GEO, the capped price and the contract price, the application of the adjustment component (failure to fulfill the obligations listed above is sanctioned with a fine of between 1% and 5% of the turnover).
- **Law no. 237/2023** - Law on the integration of renewable and low-carbon hydrogen in the industry and transport sectors
 - has as its object the establishment of measures for fuel suppliers and for industrial hydrogen consumers, in order to integrate hydrogen from renewable sources and with low carbon emissions in the industry and transport sectors.
- **Ordinance no. 30/2023** - Ordinance for the establishment of budgetary measures regarding the use of the solidarity contribution established by the Government's Emergency Ordinance no. 186/2022 on some measures to implement Council Regulation (EU) 2022/1.854 of 6 October 2022 on an emergency intervention to address the problem of high energy prices
 - the amounts corresponding to the solidarity contribution collected in 2023 (in the account of the Ministry of Finance according to GEO no. 186/2022), are used to replenish the account - the Energy Transition Fund (according to the provisions of GEO no. 27/2022 regarding the measures applicable to end customers from the electricity and natural gas

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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, approved with amendments and additions by Law No. 206/2022, with subsequent amendments and additions.) and will be used for payment by ME/ANPIS of compensations to suppliers.

- **GEO no. 90/2023** - Emergency ordinance for the approval of some measures to reduce budget expenditures for the year 2023 in order to fit into the budget deficit target assumed by the Convergence Program, as well as for the modification and completion of some normative acts.
 - is amended/supplemented art. 9 para. 10 and 12 of GEO 27/2022, with subsequent amendments and additions, specifying that the payments are made from the Energy Transition Fund and from other legally constituted sources (ANRE will transmit the values related to the compensations to the National Agency for Payments and Social Inspection, respectively the Ministry of Energy, and they make the payment to suppliers of the amounts representing the value of compensation for consumption made from the Energy Transition Fund and from other legally constituted sources).

b. Secondary legislation:

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

- **ANRE order no. 5/2023** — Order for the approval of the Regulation for the supply of electricity to final customers, as well as for the modification and completion of some orders of the ANRE president:
 - enters into force on 06 February 2023 (with the exception of some provisions that have other application dates);
 - the Regulation on the supply of electricity to final customers is approved;
 - the framework contract for the provision of the electricity distribution service concluded between the concessionaire distribution operator and the supplier (approved by ANRE Order no. 90/2015) is amended/completed, the Methodology for setting tariffs for the electricity distribution service by operators, other than concessionaire distribution operators (approved by ANRE Order no. 102/2016);
 - is repealed ANRE Order no. 235/2019 for the approval of the Regulation for the supply of electricity to final customers, ANRE Order no. 171/2020 for the approval of the Electricity Supply Conditions by the suppliers of last resort, ANRE Order no. 181/2018 for the approval of the Procedure regarding the regime of financial guarantees established by final customers at the disposal of electricity suppliers and for the amendment of the Regulation on the supply of electricity to final customers, ANRE Order no. 85/2015 for the approval of the tripartite framework agreement concluded between the supplier, the network operator and the final customer of the network contract and of the multiparty framework agreement concluded between the final customer, suppliers and the network operator, ANRE Order no. 96/2015 for the approval of the Regulation regarding the activity of informing final customers of electricity and natural gas;
 - through the Regulation on the supply of electricity to final customers, new notions were introduced regarding the supply contract with dynamic prices (obligation to make an offer/contract with dynamic prices for EFSA) and active customers with new obligations for the supplier (existing condition of the energy supply contract both for the place of consumption and for the place of consumption and production);
 - the main provisions amended/supplemented by the new Regulation are:
 - to the vulnerable client, they included among the facilities granted and the deferment of the payment of the invoice, upon request, for a period of at least 3 months (submission to the provider with whom he has access to medical documents for people who require life support by electrical devices for the insurance continuity of supply);
 - the acceptance of household customers was extended with new categories;
 - to the standard offers for non-households, the definition of microenterprise from L123 has been aligned (categorization by consumption, not by turnover/number of employees). The obligation to display standard offers at the single points of contact has disappeared. In the information of the offer, the unit value of the taxes / commissions / fees / contributions will be entered. It is no longer mandatory to include the main conditions from the contract in the offer, but new elements are introduced, to be included in the offer;
 - a place of consumption can be supplied by several suppliers without being conditioned by the power of 1 MW.
 - the minimum elements of the tripartite/multipartite convention are specified without imposing a framework convention;
 - in the contract, the unit value of the taxes / commissions / fees / contributions will be entered in the same way as in the offer. A new price element appears - Final invoiced price = supply price + all fees, taxes unit). At the conclusion of the contract, the supplier's web page must contain links to POSF;
 - when invoicing, there are explicit mentions of normative acts incident to the period of application (i.e. capping). For all household customers (including eligible household - competitive) and SoLR customers, the billing period is monthly. For all household customers, for consumption made starting from 01 April 2023, the invoice model for SU is respected. All invoices for consumption registered starting from 01 April will contain a minimum set of information. New clauses for payment scheduling.
- **ANRE order no. 9/2023** — Order regarding the establishment of the mandatory quota for the purchase of green certificates for the year 2022
 - the mandatory rate for 2022 was set at the level of 0.4934314 CV/MWh (compared to 0.5014313 CV/MWh the estimated rate for 2022 and 0.449792 CV/MWh the mandatory rate for 2021);

- enters into force on 01 March 2023.

- **ANRE order no. 10/2023** — Order for the approval of the Methodology regarding the determination of the minimum stock level of natural gas that the holders of the natural gas supply licenses have the obligation to constitute in the underground storage warehouses
 - the Methodology regarding the determination of the minimum natural gas stock level that the holders of the natural gas supply licenses are obliged to set up in the underground storage warehouses is approved - Natural gas suppliers, for the quantities delivered to final customers (PET direct customer) who have opted for the purchase of natural gas directly from natural gas producers, fulfill their obligation regarding the establishment of the minimum stock of natural gas by:
 - storing natural gas in one's own name, by concluding contracts for underground natural gas storage with one of the holders of the license to operate underground natural gas storage systems; and/or
 - the conclusion, by 31 May of each year, of sales-purchase contracts whose object is natural gas quantities from underground natural gas storage facilities, stored by another natural gas supplier; and/or
 - concluding mandate contracts with another supplier, in order to store natural gas.

- **ANRE order no. 14/2023** — Order regarding the modification and completion of some orders of the president of the National Energy Regulatory Authority and repealing the Order of the president of the National Energy Regulatory Authority no. 96/2015 for the approval of the Regulation on the activity of informing end customers of electricity and natural gas
 - amendment of the Regulation regarding the supply of natural gas to final customers, approved by Order of the President of ANRE no. 29/2016; definitions were introduced for each of the components of the final invoiced price; it has been stipulated that in the case of vulnerable customers it is possible to pay the invoice in installments, upon request, for a period of at least 3 months or agreed upon by the parties; the provisions of the Regulation were correlated with those of Order 3/2022 - POSF; the mandatory information to be included in the invoice has been updated, establishing the essential priority information that must be included on the first page of the invoice, so that the end customer knows the invoiced consumption and how much he has to pay for it, and on the second page of the invoice to detail this priority information;
 - amendment of ANRE Order no. 106/2014 regarding the methods of informing end customers by natural gas suppliers regarding the commercial conditions of natural gas supply; the provisions related to the content of the standard offer have been completed/detailed, in the sense of detailing the final price per component; a provision was included according to which it must be specified whether the price of natural gas within the standard offer is fixed or variable;
 - the repeal of ANRE Order no. 96/2015, regarding the provision of information to final natural gas customers by suppliers

- **ANRE order no. 13/2023** — Order for the approval of the framework contract for the supply of electricity in the universal service regime, the general conditions for the supply of electricity in the universal service regime and the invoice model applicable to household customers
 - the following is approved: The framework contract for the supply of electricity in the universal service regime - annex no. 1, General conditions for the supply of electricity in the universal service regime - annex no. 2, Electricity bill model - annex no. 3;
 - the main provisions: the general conditions for the supply of electricity in the universal service regime are published by the suppliers on their own website and are made available to household customers, in printed format, upon their request; invoices issued by electricity suppliers to household customers for electricity consumption made starting from April 2023 will respect the invoice model (the color, type and size of the font can be set by the suppliers); the price of electricity from the universal service offer is valid for a period of at least 3 months; until 31 March 2024, the electricity suppliers who have universal service customers in their portfolio communicate to these customers the electricity supply contracts issued pursuant to this order; electricity suppliers have the obligation to publish on their website the framework contract and the general conditions for the supply of electricity in the universal service regime within 5 days from the date of entry into force of this order and to communicate to household customers from the portfolio the access link to the contract and to the general conditions for the provision of electricity in the universal service regime, with the first invoice issued after the entry into force of this order.
 - is repealed ANRE Order no. 88/2015

- **ANRE order no. 15/2023** — Order on the approval of the Natural Gas Market Monitoring Methodology
 - the modification and completion of the Methodology for monitoring the natural gas market, by integrating all aspects regarding the monitoring of the wholesale market, which appeared once REMIT came into force; the responsibilities according to REMIT, specific to the owners of the administration of centralized markets and TSOs, were included; provisions were introduced regarding the forms that each license holder must report separately, with their clear identification - updating and creating new reporting forms;
 - is repealed ANRE Order no. 5/2013 for the approval of the Natural Gas Market Monitoring Methodology

- **ANRE order no. 16/2023** — Order for the amendment and completion of the Regulation on the last resort supply of natural gas, approved by the Order of the President of the National Energy Regulatory Authority no. 173/2020
 - amending and supplementing the Regulation on the last resort supply of natural gas:
 - the provisions relating to the natural gas distribution contract that SoLR is obliged to conclude with the distribution operators have been amended so that they are consistent with the provisions of ANRE Ord. no. 3/2022 – POSF; Annex no. 5 was modified, respectively the model of the takeover request, so that it is consistent with the provisions of Ord. ANRE no.

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

- **ANRE order no. 19/2023** — Order for the amendment of the green certificate invoicing procedure, approved by the Order of the president of the National Energy Regulatory Authority no. 187/2018
 - updating the aspects related to data reporting by electricity suppliers that invoice electricity to final consumers, regarding the mode and format of reporting carried out through the ANRE Portal, structured on information regarding the monthly billing of green certificates and information regarding the annual regularization of the counter value of green certificates;
- **ANRE order no. 22/2023 – 27/2023** — Order regarding the approval of specific tariffs for the electricity distribution service and the price for reactive electricity at Societatea E-Distributie Banat — S.A., Societatea E-Distributie Dobrogea — S.A., Societatea E-Distributie Muntenia — S.A., Societatea Delgaz Grid — S.A., Societatea Distributie Energie Oltenia — S.A., Societatea Distributie Energie Electrica Romania — S.A.
 - there are increases in all specific tariffs for the electricity distribution service, the biggest increases being at Distributie Energie Electrica Romania SA - Muntenia Nord of about 30%;
 - the tariffs for low voltage for Distributie Energie Electrica Romania are higher by 8.3% - 31.2% compared to the first quarter of 2023 (at DEER there were increases for all categories, respectively the lowest increase was 8.3% at LV - Transilvania South and the biggest increase of 33.7% in HV-Muntenia Nord);
 - the new rates are applicable from 01 April 2023;
- **ANRE order no. 28/2023** — Order on the approval of the average tariff for the electricity transmission service, the components of the transmission tariff for introducing electricity into networks (T_G) and extracting electricity from networks (T_L) and the regulated price for electricity reactive, practiced by the National Electric Energy Transport Company "Transelectrica" — S.A.
 - the new rates are applicable from 01 April 2023;
 - the average tariff for the electricity transmission service is 31.20 lei/MWh – 11% increase;
 - the transport tariff - the component of introducing electricity into the network - TG is 4.04 lei/MWh - 59.7% increase;
 - the transport tariff - the component of electricity extraction from the network - TL- is 27.44 lei/MWh - 7.3% increase.
- **ANRE order no. 17/2023** — Order on the approval of the Electricity Retail Market Monitoring Methodology
 - updating the Methodology by updating the methodological principles underlying the activity of monitoring the electricity retail market with the requirements of the regulatory framework in force and, considering the multitude of changes; proposes ways to evaluate the level of efficiency and competition on the electricity retail market, to identify the elements that can lead to a decrease in performance in the supply activity, to evaluate the behavior of suppliers in the relationship with end customers and to identify those practices or behaviors that raises suspicions of violation of competition principles.
 - is repealed ANRE Order no. 167/2019 regarding the approval of the Methodology for monitoring the electricity retail market and ANRE Order no. 205/2018 regarding the approval of the Electricity Market Monitoring Methodology for final customers served by last resort suppliers
- **ANRE order no. 18/2023** — Order regarding the approval of the Methodology for monitoring the wholesale electricity market
 - modifying and completing the Methodology by updating the methodological principles and updating the system of indicators used in the monitoring activity; the scope and scope of the methodology were extended in order to include the monitoring obligations of ANRE as a result of the amendments made to the Electricity and Natural Gas Law no. 123/2012 and the increase in the complexity of the types of data/indicators requested by the competent European institutions (ACER/CEER); the system of specific indicators for the markets on which electricity is traded was adapted and completed (structure indicators, market efficiency/performance evaluation indicators, market participants' behavior indicators) for each of the monitoring entities with responsibilities in the field (ANRE, OPEE and TSO); the aspects related to the data requested on the monthly models sent by the market participants were additionally detailed; the reporting deadlines for market participants, OPEE and TSOs were specified; the submission of market participants/OPEE/TSO reports and OPEE/TSO reports in text format has been completely eliminated.
 - is repealed ANRE Order no. 67/2018 for the approval of the Methodology for monitoring the wholesale electricity market.
- **ANRE order no. 20/2023** — Order regarding the approval of the Regulation on the organization and operation of the organized electricity market, administered by the Romanian Stock Exchange — S.A.
 - the Regulation on the organization and operation of the organized electricity market, administered by Societatea Bursa Romana de Marfuri - S.A. is approved, and this simplifies the organized framework for electricity trading on the organized future electricity markets, through the trading platforms managed by Societatea Bursa Romana de Marfuri - S.A.; a chapter

on organized market segments is introduced; new products are introduced, namely flexible products and products derived from the field of electricity, settled by physical delivery; market transparency information is expanded; requirements are introduced regarding the use of a liquidity provider.

- the order enters into force on 05 April 2023; is repealed ANRE Order no. 117/2022.

- **ANRE order no. 56/2023** - Order for the amendment and completion of the Regulation for the issuance of green certificates, approved by the Order of the President of the National Energy Regulatory Authority no. 4/2015
 - the amendment of the Regulation on issuing green certificates, approved by ANRE Order no. 4/2015 so that: in the case of producers from renewable energy sources (E-SRE) using biomass as a renewable energy source as fuel or raw material, green certificates (GC) are issued only for E-SRE produced from biomass accompanied of certificates of origin regardless of the weight of the energy content of the biomass accompanied by certificates of origin in the total energy content of the fuel used in the respective power plant; in situations of alienation of an accredited power plant, the green certificates deferred from trading according to the provisions of the law can be transferred to the new holder of the respective power plant, in order to be traded by him; the amounts of biomass provided in the certificates of origin issued by the relevant ministries under the law and which exceed the biomass consumption of the ESRE producer in the period provided in the certificates of origin can be carried over and used in subsequent periods of time, with the exception of those in the certificates of origin issued as a result of final court rulings that provide for the biomass use period.
- **ANRE order no. 59/2023** - Order regarding the approval of the Procedure for the recovery of improperly issued green certificates and for the amendment of the Regulation for the issuance of green certificates, approved by the Order of the President of the National Energy Regulatory Authority no. 4/2015
 - the Procedure for the recovery of improperly issued green certificates is approved, which establishes the recovery mechanism for improperly issued green certificates - the TSO develops its own procedure for the recovery of improperly issued GCs, including those related to the recovery interest;
 - if the accredited E-SRE producer, who benefited from improper green certificates, does not hold green certificates and no longer meets the conditions for issuing green certificates for trading, the recovery of improperly issued green certificates is carried out by purchasing green certificates from the anonymous centralized spot market of green certificates (after its registration in this market component of the green certificates market).
- **ANRE order no. 57/2023** - Order for the amendment and completion of the Regulation on the organization and operation of the green certificates market, approved by the Order of the President of the National Energy Regulatory Authority no. 77/2017
 - amending the Regulation on the organization and operation of the market of green certificates, so that, in situations of disposal of an accredited power plant, the green certificates held in the account of the selling producer at the date of disposal, including those postponed from trading according to the provisions of the law, can be transferred to the new owner of the respective power plant, in order to trade them by him, if provisions to this effect are included in the alienation contract concluded between the parties;
 - the inclusion of a new category of ANRE license holders, represented by economic operators who own electricity storage facilities that are not located in the facilities of an electricity producer, as participants in the PCV as economic operators with an obligation to purchase GC;
 - the inclusion of a new transaction session on PCSCV for each quarter of analysis, respectively on the 18th working day of the month following each quarter, in order to enable the completion of the purchase of GC by economic operators with the obligation to purchase GC, for each analysis quarter, according to the published list.
- **ANRE order no. 58/2023** - 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
 - the modification of the Methodology for establishing the mandatory annual quota for the purchase of green certificates for the regulation of the situation of an economic operator who has a final decision by which a court established/establishes, as the case may be, the recovery by the respective economic operator of a sum of money related to some GCs that he purchased in a previous period, including the accessories to it, by applying an algorithm;
 - amending the Methodology by including provisions regarding the obligation to purchase green certificates for a new category of ANRE license holders, represented by economic operators who own electricity storage facilities that are not located in the facilities of an electricity producer.
- **ANRE order no. 63/2023** - Order on the approval of the Rules necessary for the adoption of the Hydrogen Code
 - establishes the guidelines for the transformation or conversion of the natural gas distribution system in order to prepare it for the injection of quantities of hydrogen produced by using renewable energy sources;
- **ANRE order no. 67/2023** - Order regarding the approval of the tariff for the purchase of system services for the transport and system operator Compania Nationala de Transport al Energiei Electrice "Transelectrica" — S.A.
 - the tariff for the purchase of system services practiced by the National Electric Power Transport Company "Transelectrica" - S.A., valid from 1 June 2023, is 6.64 lei/MWh, down 14% compared to the previous tariff;
- **ANRE order no. 68/2023** - Order on the approval of regulated income, corrected regulated income and transport tariffs for the activity of natural gas transport through the National Transport System
 - the capacity reservation rates related to firm and interruptible long-term and short-term transport services for the group of entry/exit points (gr) are approved, as well as the volumetric rate for the use of the National Transport System, for the period of 1 October 2023 —30 September 2024. The order enters into force on 1 June 2023;

- **ANRE order no. 70/2023** - 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 electric network
 - is modified the ANRE Ord. no. 59/2013 – Regulation regarding the connection of users to public interest electricity networks;
 - is modified the ANRE Ord. no. 19/2022 – The procedure regarding the connection to the electricity networks of public interest of the places of consumption and production belonging to the prosumers. An opportunity is provided for prosumers who purchase the electricity metering group or the fully equipped metering and protection block including the electricity metering meter to make it available to the distribution operator. A new chapter is introduced regarding the rules for connecting to a place of consumption place of consumption and existing production of installations for the production of electricity from renewable sources of prosumers and demonstration projects, with an installed electric power lower than or equal to 10,8 kW times equivalent for connections other than three-phase connections, as an exception to the prosumer connection rules. The notion of aggregate generating units appears, which means the sum of the generating units belonging to several prosumers that are connected to the electrical grid through a single connection facility. The order enters into force on 31 May 2023.
- **ANRE order no 71/2023** - Order regarding the approval of the regulated tariff for electricity exchanges with the perimeter countries, practiced by Compania Nationala de Transport al Energiei Electrice "Transelectrica" — S.A.
 - is approved the regulated tariff for electricity exchanges with peripheral countries of 3.0 euro/MWh, exclusive of VAT, applied by the National Electric Power Transport Company "Transelectrica" - S.A., tariff applied to all import, export and transit transactions of electricity, programmed with the electric energy systems of the perimeter countries.
 - the order enters into force on 15 June 2023.
- **ANRE order no. 75/2023** - 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.
 - the contribution for high-efficiency cogeneration is approved at the value of 0.00219 lei/kWh, exclusive of VAT;
 - the order enters into force on 1 July 2023.
- **ANRE order no. 76/2023** - Order regarding the amendment of the annex to the Order of the President of the National Energy Regulatory Authority no. 139/2022 for the approval of the tariffs charged by the designated Operator of the electricity market.
 - the tariffs charged by the designated operator of the electricity market corresponding to the services provided for the performance of the activities, valid from 1 July to 31 December 2023, are: Administration tariff - category A of participants – 14.648 lei/participant/year, Administration tariff - category A Participant B – 24.414 lei/participant/year, Transaction rate- 0.29 lei/MWh.
- **ANRE order no. 77/2023** - Order for the amendment of the Regulation regarding the organized framework for trading standardized products on the centralized natural gas markets administered by the Romanian Stock Exchange — S.A. (Romanian Commodities Exchange — S.A.), approved by Order of the President of the National Energy Regulatory Authority no. 95/2021
 - the Regulation on the organized framework for the trading of standardized products on the centralized natural gas markets administered by the Romanian Commodities Exchange Company is amended by amending the standardized products traded on the basis of the counterparty mechanism, in accordance with its specific rules.
- **ANRE order no. 78/2023** - Order for the amendment of the Regulation on the operation of the centralized market for electricity from renewable sources supported by green certificates, approved by the Order of the President of the National Energy Regulatory Authority no. 160/2019
 - the Regulation on the operation of the centralized market for electricity from renewable sources supported by green certificates is amended by changing the definition of the participant in the centralized market for electricity from renewable sources supported by green certificates and it is specified that the contracts contain provisions that must comply with a set of principles (the designated participant concludes the contract in his own name and fully assumes all rights and obligations regarding the traded electricity, the contract contains individual rights and obligations regarding the delivery of GCs of the members of the aggregate entity who traded GCs during the auction session following to which the contract is concluded, etc.).
- **ANRE order no. 81/2023** - Order regarding the amendment of the Order of the President of the National Energy Regulatory Authority no. 10/2023 for the approval of the Methodology regarding the determination of the level of the minimum stock of natural gas that the holders of the licenses for the supply of natural gas have the obligation to constitute in the underground storage warehouses
 - the maximum deadline for concluding sales-purchase contracts whose object is quantities of natural gas originating from underground natural gas storage depots, stored by another natural gas supplier from 31 May to 31 October is extended.
 - the provisions relating to the change in the CC and PET end customer portfolios are completed as a result of the exercise by the end customers of the right to change the natural gas supplier or as a result of the termination of the natural gas supply contracts and the transfer of the quantities of natural gas stored and of reserved and unused capacity.
- **ANRE order no. 88/2023** - Order for the modification of some orders of the president of the National Energy Regulatory Authority regarding the electricity market

2023

- 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 (published in M.O. no. 1196 of 17 December 2021) enters in force on the date of publication and applies from 1 April 2024 (on 1 April 2024 ANRE Order no. 61/202 and ANRE Order no. 21/2020 are repealed and a number of articles from ANRE Orders no. 213/2020 and no. 152/2020 are repealed).
- ANRE order no. 128/2021 for the approval of the rules for suspending and restoring market activities and applicable settlement rules (published in M.O. no. 1187 of 15 December 2021) applies from 1 April 2024.
- **ANRE order no. 95/2023** - Order on the modification of the General Conditions associated with the license for aggregation activity, approved by the Order of the President of the National Energy Regulatory Authority no. 196/2020.
 - the General Conditions associated with the license for aggregation activity are modified, approved by ANRE Order no. 196/2020, by changing the definitions of *aggregate entity* and *aggregate unit* in the sense that producers, final consumers and owners of storage facilities can be aggregated in the same entity.
- **ANRE order no. 94/2023** - Order for the approval of the Regulation on the designation of the designated operator of the electricity market
 - the Regulation on the designation of the designated operator of the electricity market is approved, which establishes the terms, criteria and transparent and non-discriminatory procedures regarding the designation/withdrawal of the designation of the designated operator of the electricity market.
- **ANRE order no. 97/2023** - 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
 - the contribution for high-efficiency cogeneration at the value of 0.0099 lei/kWh, exclusive of VAT, is approved starting on 1 November 2023 (increasing compared to the period 01.07.2023 – 31.10.2023 when the contribution for high-efficiency cogeneration had the value of 0.00219 lei/kWh – Order no. 75/2023).

Source: Electrica

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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 Depositary Receipts
GEO	Government Emergency Ordinance
GMS	General Meeting of Shareholders

HV	High Voltage
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IM-NG	Intraday Market for Natural Gas
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 2023

prepared in accordance with

OMFP no. 2844/2016

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTH
PERIOD ENDED 30 September 2023
PREPARED IN ACCORDANCE WITH **OMFP no. 2844/2016**

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

AS AT 30 SEPTEMBER 2023

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

	Note	30 September 2023 (unaudited and not reviewed)	31 December 2022 (audited)
ASSETS			
Non-current assets			
Intangible assets related to concession arrangements		6,053,312	5,675,866
Intangible assets from the capitalization of own technological consumption		865,914	951,557
Other intangible assets		19,148	12,854
Goodwill	19	24,663	12,040
Property, plant and equipment		501,176	499,390
Investments in associates		16,642	18,824
Other investments		7,000	7,000
Deferred tax assets	10	36,579	30,180
Right of use assets		45,870	52,152
Other non-current assets		51,871	2,393
Total non-current assets		7,622,175	7,262,256
Current assets			
Trade receivables	11	2,264,631	2,466,002
Subsidies receivable	7	2,264,119	1,280,788
Other receivables		69,845	127,253
Cash and cash equivalents	12	187,649	334,887
Inventories		134,515	113,972
Prepayments		16,006	13,874
Current income tax assets		-	24,000
Assets held for sale		280	280
Total current assets		4,937,045	4,361,056
Total assets		12,559,220	11,623,312
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)
Pre-paid capital contributions in kind from shareholders		7	7
Revaluation reserve		87,543	92,117
Legal reserves		429,583	429,583
Retained earnings		1,730,013	1,353,942
Total equity attributable to the owners of the Company		5,739,259	5,367,762
Non-controlling interests		(412)	(516)
Total equity		5,738,847	5,367,246

(Continued on page 2)

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

AS AT 30 SEPTEMBER 2023

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

	Note	30 September 2023 (unaudited and not reviewed)	31 December 2022 (audited)
Liabilities			
Non-current liabilities			
Long-term bank borrowings	14	826,567	647,193
Lease liabilities		31,587	34,462
Deferred tax liabilities	10	231,045	212,555
Employee benefits		133,188	117,269
Other payables	13	39,488	72,432
Total non-current liabilities		1,261,875	1,083,911
Current liabilities			
Current portion of long-term bank borrowings	14	411,432	113,520
Current portion of lease liabilities		16,207	19,211
Bank overdrafts	15	2,628,286	2,571,037
Trade payables		1,255,361	1,407,097
Other payables	13	1,052,191	867,536
Deferred revenue		10,181	24,750
Employee benefits		96,614	114,174
Provisions	16	40,359	53,701
Current tax liabilities		47,867	1,129
Total current liabilities		5,558,498	5,172,155
Total liabilities		6,820,373	6,256,066
Total equity and liabilities		12,559,220	11,623,312

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

Chief Executive Officer
 Alexandru – Aurelian Chirita

Chief Financial Officer
 Stefan Alexandru Frangulea

15 November 2023

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

AS AT 30 September 2023

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

	Note	Nine month period ended	
		30 September 2023 (unaudited and not reviewed)	30 September 2022 (unaudited and not reviewed)
Revenue	6	7,156,560	7,244,795
Other income	7	2,667,884	2,196,814
Capitalised costs of intangible non-current assets		66,367	779,838
Electricity and natural gas purchased	8	(6,854,040)	(7,727,732)
Construction costs related to concession agreements		(696,199)	(380,443)
Employee benefits		(692,297)	(589,550)
Repairs, maintenance and materials		(69,711)	(62,016)
Depreciation and amortization		(540,411)	(371,402)
Impairment for trade and other receivables, net		(23,272)	(97,398)
Other operating expenses		(302,400)	(260,656)
Operating profit		712,481	732,250
Finance income		17,785	6,450
Finance costs		(234,592)	(109,710)
Net finance cost		(216,807)	(103,260)
Share of results of associates		(34)	(11)
Profit before tax		495,640	628,979
Income tax expense	10	(77,291)	(95,234)
Net profit		418,349	533,745
Net profit/(loss) attributable to:			
- owners of the Company		418,424	533,811
- non-controlling interests		(75)	(66)
Net profit		418,349	533,745
Earnings per share			
Basic and diluted earnings per share (RON)	9	1.23	1.57

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

Chief Executive Officer
 Alexandru – Aurelian Chirita

Chief Financial Officer
 Stefan Alexandru Frangulea

15 November 2023

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

AS AT 30 September 2023

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

	Three month period ended	
	30 September 2023 (unaudited and not reviewed)	30 September 2022 (unaudited and not reviewed)
Revenue	2,349,072	2,616,004
Other income	793,119	892,484
Capitalised costs of intangible non-current assets	10,110	779,838
Electricity and natural gas purchased	(1,912,641)	(2,790,136)
Construction costs related to concession agreements	(272,265)	(151,673)
Employee benefits	(240,772)	(200,102)
Repairs, maintenance and materials	(19,913)	(25,937)
Depreciation and amortization	(183,251)	(123,190)
Impairment for trade and other receivables, net	979	(47,362)
Other operating expenses	(90,759)	(70,727)
Operating profit	433,679	879,199
Finance income	6,405	4,152
Finance costs	(81,633)	(49,945)
Net finance cost	(75,228)	(45,793)
Share of results of associates	(2)	(3)
Profit before tax	358,449	833,403
Income tax expense	(45,737)	(124,160)
Net profit	312,712	709,243
Net profit/(loss) attributable to:		
- owners of the Company	312,658	709,291
- non-controlling interests	54	(48)
Net profit	312,712	709,243
Earnings per share		
Basic and diluted earnings/(loss) per share (RON)	0.92	2.09

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

Chief Executive Officer
Alexandru – Aurelian Chirita

Chief Financial Officer
Stefan Alexandru Frangulea

15 November 2023

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Nine month period ended	
	30 September 2023 (unaudited and not reviewed)	30 September 2022 (unaudited and not reviewed)
Net profit	418,349	533,745
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Re-measurements of the defined benefit liability	(5,798)	10,249
Tax related to re-measurements of the defined benefit liability	927	(1,550)
Other comprehensive income/(loss), net of tax	(4,871)	8,699
Total comprehensive income	413,478	542,444
Total comprehensive income/(loss) attributable to:		
- owners of the Company	413,553	542,510
- non-controlling interests	(75)	(66)
Total comprehensive income	413,478	542,444

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

Chief Executive Officer

Alexandru – Aurelian Chirita

Chief Financial Officer

Stefan Alexandru Frangulea

15 November 2023

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Three month period ended	
	30 September 2023 (unaudited and not reviewed)	30 September 2022 (unaudited and not reviewed)
Net profit	312,712	709,243
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Tax related to re-measurements of the defined benefit liability	-	372
Other comprehensive income, net of tax	-	372
Total comprehensive income	312,712	709,615
Total comprehensive income/(loss) attributable to:		
- owners of the Company	312,658	709,663
- non-controlling interests	54	(48)
Total comprehensive income	312,712	709,615

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

Chief Executive Officer
 Alexandru – Aurelian Chirita

Chief Financial Officer
 Stefan Alexandru Frangulea

15 November 2023

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Attributable to the owners of the Company						Total	Non-controlling interests	Total equity	
	Share capital	Share premium	Treasury shares reserve	Capital contributions in kind from shareholders	Revaluation reserve	Legal reserves				Retained earnings
Balance at 1 January 2023 (audited)	3,464,436	103,049	(75,372)	7	92,117	429,583	1,353,942	5,367,762	(516)	5,367,246
Comprehensive income (unaudited and not reviewed)										
Profit for the period (unaudited and not reviewed)	-	-	-	-	-	-	418,424	418,424	(75)	418,349
Other comprehensive income	-	-	-	-	-	-	(4,871)	(4,871)	-	(4,871)
Total comprehensive profit (unaudited and not reviewed)	-	-	-	-	-	-	413,553	413,553	(75)	413,478
Transactions with owners of the Company (unaudited and not reviewed)										
Contributions and distributions										
Dividends to the owners of the Company	-	-	-	-	-	-	(39,999)	(39,999)	-	(39,999)
Changes in ownership interests (unaudited and not reviewed)										
Total changes in ownership interests (unaudited and not reviewed)	-	-	-	-	-	-	-	-	179	179
Total transactions with the owners of the Company (unaudited and not reviewed)	-	-	-	-	-	-	(39,999)	(39,999)	179	(39,820)
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	-	-	-	-	(4,574)	-	4,574	-	-	-
Fair Value of non-controlling interest acquired without change in control	-	-	-	-	-	-	(2,057)	(2,057)	-	(2,057)
Balance at 30 September 2023 (unaudited and not reviewed)	3,464,436	103,049	(75,372)	7	87,543	429,583	1,730,013	5,739,259	(412)	5,738,847

(Continued on page 8)

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts are in THOUSAND RON, if not otherwise stated)

	Attributable to the owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares reserve	Capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings			
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 (unaudited and not reviewed)										
Profit 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 profit (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	-	-	-	-	-	-	-	-	(407)	(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

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

Chief Executive Officer
Alexandru – Aurelian Chirita

Chief Financial Officer
Stefan Alexandru Frangulea

15 November 2023

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Nine month period ended	
		30 September 2023 (unaudited and not reviewed)	30 September 2022 (unaudited and not reviewed)
Cash flows from operating activities			
Profit		418,349	533,745
Adjustments for:			
Depreciation		13,270	14,294
Amortisation		527,141	357,108
Capitalised costs of intangible non-current assets	7	(66,367)	(779,838)
Gain on disposal of property, plant and equipment		(80)	(609)
Impairment of trade and other receivables, net	11	23,272	97,398
Adjustments for assets held for sale, net		-	453
Changes in employee benefits obligations		-	(17,421)
Change in provisions, net	16	(13,342)	(7,446)
Net finance cost		216,807	103,260
Income tax expense	10	77,291	95,234
Share of loss of associates		34	11
		1,196,375	396,189
Changes in:			
Trade receivables		45,938	(1,167,652)
Subsidies receivable	7	(983,331)	(1,032,745)
Other receivables		(40,636)	(159,669)
Prepayments		(2,132)	(3,531)
Inventories		(20,543)	(45,501)
Trade payables		(126,619)	293,283
Other payables		205,878	598,969
Employee benefits		(6,512)	(20,999)
Deferred revenue		(14,569)	25,222
Cash used in/from operating activities		253,849	(1,116,434)
Interest paid		(207,122)	(97,756)
Income tax paid		(11,124)	-
Net cash used in/from operating activities		35,603	(1,214,190)

(Continued on page 10)

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Nine month period ended	
		30 September 2023 (unaudited and not reviewed)	30 September 2022 (unaudited and not reviewed)
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(6,423)	(5,820)
Payments for network construction related to concession agreements		(622,598)	(408,958)
Payments for purchase of other intangible assets		(10,697)	(5,657)
Proceeds from sale of property, plant and equipment		80	2,610
Interest received		1,851	-
Payments for acquisition of subsidiaries, net of cash acquired		(6,308)	(4,452)
Payments for non-controlling interest acquired without change in control		(1,924)	-
Payments for acquisition of associates		(4,149)	-
Net cash used in investing activities		(650,168)	(422,277)
Cash flows from financing activities			
Proceeds from long term bank borrowings	14	600,890	113,449
Proceeds from overdrafts	15	50,873	1,714,437
Repayment of long-term bank loans	14	(122,831)	(69,690)
Payment of lease liabilities		(21,527)	(16,530)
Dividends paid		(40,078)	(152,291)
Net cash generated from financing activities		467,327	1,589,375
Net decrease in cash and cash equivalents		(147,238)	(47,092)
Cash and cash equivalents at 1 January		334,887	(405,572)
Cash and cash equivalents at 30 September	12	187,649	(452,664)

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

The non-cash transactions are disclosed in Note 12.

Chief Executive Officer
Alexandru – Aurelian Chirita

Chief Financial Officer
Stefan Alexandru Frangulea

15 November 2023

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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 2023.

The registered office of the Company is 9 Grigore Alexandrescu Street, District 1, Bucharest, Romania. The Company has sole registration code 13267221 and Trade Register registration number J40/7425/2000.

As at 30 September 2023 and 31 December 2022, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy with an ownership share of 48.79% from the share capital.

The Company's shares are listed on the Bucharest Stock Exchange and the global depository receipts ("GDRs") are listed on the London Stock Exchange (LSE). The shares traded on the London Stock Exchange are the global depository receipts, one global depository receipt representing four shares. The Bank of New York Mellon is the depository bank for these securities.

As at 30 September 2023 and 31 December 2022, the Company's subsidiaries are the following:

Subsidiary	Activity	Sole registration code	Head Office	% shareholding as at 30 September 2023	% shareholding as at 31 December 2022
Distributie Energie Electrica Romania S.A. ("DEER")	Electricity distribution in geographical areas Transilvania Nord, Transilvania Sud and Muntenia Nord	14476722	Cluj-Napoca	99.99999929%	99.99999929%
Electrica Furnizare S.A. ("EFSA")	Electricity and natural gas supply	28909028	Bucuresti	99.9998444099934%	99.9998444099934%
Electrica Serv S.A. ("SERV")	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	99.99998095%	99.99998095%
Electrica Producție Energie S.A ("EPE")	Electricity generation	44854129	Bucuresti	99.9920%	99.9920%
Electrica Energie Verde 1 S.R.L.* ("EEV1" – former Long Bridge Milenium S.R.L.)	Electricity generation	19157481	Bucuresti	100%*	100%*
Sunwind Energy S.R.L.	Electricity generation	42910478	Bucuresti	100%	60%
New Trend Energy S.R.L.	Electricity generation	42921590	Constanta	60%	60%
Green Energy Consultancy & Investments S.R.L.	Electricity generation	29172101	Bucuresti	100%	75%
Foton Power Energy S.R.L.	Electricity generation	43652555	Constanta	60%	30%

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

As at 30 September 2023 and 31 December 2022, the Company's associate is the following:

Associate	Activity	Sole registration code	Head Office	% shareholding as at 30 September 2023	% shareholding as at 31 December 2022
Crucea Power Park S.R.L.	Electricity generation	25242042	Constanta	40%	30%

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Changes in Group structure for the nine month period ended 30 September 2023

Acquisition of shares in subsidiaries

On 6 February 2023, Electrica completed the acquisition of Green Energy Consultancy & Investments S.R.L., having as main object of activity the production of energy from photovoltaic sources. Until 31 December 2022 the company was acquired 75%. Green Energy Consultancy & Investments S.R.L. develops the photovoltaic project "Vultur", with a designed installed capacity of 12 MWp DC (peak power at the panels level) and 9.75 MW AC (authorised power for delivery into the grid), located near Vultur locality, Vrancea county. The project is in the "ready-to-build" phase.

On 24 March 2023, Electrica completed the acquisition of Sunwind Energy S.R.L, which has as its main activity production of energy from photovoltaic sources. Until 31 December 2022 the project was acquired 60%. Sunwind Energy develops the photovoltaic project "Satu Mare 2", with an installed capacity of 27 MW. The project is in the "ready-to-build" phase and is located in the vicinity of Botiz commune, Satu Mare county. Also, the Financing Contract was signed between Sunwind Energy SRL as the Beneficiary and the Ministry of Energy as the coordinator of reforms and/or investments for the National Recovery and Resilience Plan (NRRP).

On 31 July 2023, Electrica acquired an additional 30% of the shares and voting interests in Foton Power Energy S.R.L., having as main object of activity the production of energy from photovoltaic sources. As a result, the Group's equity interest increased from 30% to 60%, thus, Foton Power Energy S.R.L. becoming a subsidiary of Electrica Group. Foton Power Energy S.R.L. develops the photovoltaic project "Bihor 1", with a projected installed capacity of 77.5 MW, located near Oradea.

Acquisition of shares in associates

On 15 mai 2023, Electrica acquired an additional 10% of the shares and voting interests in Crucea Power Park S.R.L.. As a result, the Group's equity interest increased from 30% to 40%.

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, Dambovita, Braila, Galati and Vrancea counties), Transilvania Nord area (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita Nasaud counties) and Transilvania Sud area (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties), operating with transformation station and 0.4 kV to 110 kV power lines.

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):

	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

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	Order 28/23.03.2022		
	1 April 2022 – 31 March 2023		
	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

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

In 2022, according to the Government's emergency ordinance (GEO) no. 119/2022, the additional costs for purchased electricity (determined as the difference between the realized costs and the costs included in the approved distribution tariffs), made between 1 January 2022 and 31 August 2023, in order to cover the NL, compared to the costs included in the tariffs regulated (and not only borrowings), are capitalized quarterly and remunerated with 50% of the regulated rate of return (RRR) approved by ANRE, applicable during the amortization period of the respective costs and are recognized as a distinctive component in the regulated tariffs, called the component related to additional costs with NL. Also, ANRE elaborated the Methodological norms regarding the recognition in the tariffs of the additional costs with the acquisition of electricity for covering the network losses compared to the costs included in the regulated tariffs, the purpose of these norms is to establish the substantiation of additional costs with the purchase of electricity to cover the NL, as well as the conditions for their recognition in the regulated income, based on which the distribution tariffs are established.

Law no.357/2022 on the approval of GEO no.119/2022 stipulates the capitalization of additional costs for purchased electricity made between 1 January 2022 and 31 March 2025.

According to the Government's Emergency Ordinance ("GEO") no. 153/2022 during the period 1 January 2023 – 31 March 2025 is established the centralized electricity purchasing mechanism (MACEE), OPCOM being designated the sole purchaser. The distribution operators ("OD") will buy from OPCOM through an annual/monthly mechanism at least 75% of the quantity forecasted and validated by National Authority for Energy Regulation ("ANRE") at the price of 450 RON/MWh, and the producers will sell to OPCOM through annual/monthly mechanism 80% of the quantity forecasted and validated by ANRE and Transelectrica at the price of 450 RON/MWh.

Tariff adjustments

Annually, ANRE makes revenue corrections due to: change in the quantities of electricity distributed compared to the forecast; change in quantities and acquisition price for the regulated own technological consumption compared to the forecast; the annual change in controllable operating and maintenance costs, realized and accepted against the forecast; annual change in uncontrollable operating and maintenance costs compared to the forecast; changes in revenues from reactive energy compared to the forecast; failure to meet/exceeding the approved investments programme; revenues generated from other operations made by the distribution operator and the quantity of electricity recovered from recalculations.

The regulator establishes through the regulated income and tariffs for the following year taking into account the justified corrections presented above, which are added algebraically to the income for the following year. The group does not recognize assets and liabilities resulting from regulation in relation to these deficits or surpluses, as the differences are recovered or returned through the annual tariff changes, except the capitalised costs with own technological consumption. The difference between the purchase price of electricity for own technological consumption versus the ex-ante purchase price recognized by ANRE in the related regulated tariffs 2022 related to the purchase of electricity and natural gas, made between 1 January 2022 and 31 August 2023, in order to cover the own technological consumption

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(NL) for economic operators for energy transport and distribution services are capitalised. These are recognized as a distinctive component in the regulated tariffs, named component related to additional network losses costs. Also, law no.357/2022 on the approval of GEO no.119/2022 stipulates the capitalization of additional costs for purchased electricity made between 1 January 2022 and 31 March 2025.

Electricity supply

Starting with 1 November 2021, in the context of the increase in prices for the electricity and natural gas markets at international and national level, the energy crisis, as well as the effects caused by these increases among the population, in Romania, a series of support measures for electricity and natural gas customers have been applied, by establishing compensation and capping schemes between 1 November 2021 and 31 March 2025.

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

- Capping the selling price for household and non-household consumers (1 November 2021 – 31 March 2025). The amounts compensated will be received from the National Agency for Payments and Social Inspection („ANPIS”) for household consumers and a from the Ministry of Energy for non-household consumers;
- The limitation of the average purchase price considered for determining the amounts to be recovered from the state budget to 900 RON/MWh (decrease from 1,300 RON/MWh), except of the purchase intended for supply as a last resort, where this limitation does not apply;
- Limitation of the permitted supply component to:
 - Electricity – SoLR („Supplier of Last Resort”) 80 lei/MWh and Non SoLR 73 lei/MWh;
 - Natural gas – SoLR 13.5 lei/MWh and Non SoLR 12 lei/MWh;
- Contribution to the Energy Transition Fund for suppliers who carry out trading activity and aggregators who trade quantities of electricity and/or natural gas on the wholesale market = (Average sale price – Average purchase price x 1.02) x Quantity delivered monthly;
- Implementation of the Centralized Electricity Purchase Mechanism (MACEE) regarding the obligation of producers to sell electricity at the price of 450 lei/MWh;
- Legal obligation of natural gas producers to sell at the price of 150 RON / MWh the quantities necessary for the supply of household customers / heat producers;
- Legal obligation to underground storage of natural gas of a minimum stock of natural gas at the level of 90% of the storage capacity of the warehouses. The minimum stock of natural gas for each supplier is determined depending on the share of the quantity of each supplier in the total quantity estimated at national level (ANRE Order 10/2023);
- Legal obligation of suppliers to send to final customers standard offers within the limit of the capped final price during the period of application of the support scheme.

Increase in electricity price impact

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

In the period 1 January 2023 - 31 March 2025, the centralized electricity purchase mechanism (MACEE) is established. The mechanism provides - OPCOM, as sole acquirer, buys electricity from producers (electricity producers with an

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installed power equal to or greater than 10 MW) and sells the purchased electricity to electricity suppliers that have contracts with final customers, the electricity transportation system operator and electricity distribution system operators to cover the own technological consumption; the price paid by OPCOM to electricity producers, for the quantities of electricity sold by them is 450 RON/MWh and the sale price of OPCOM to the economic operators is also 450 RON/MWh (OPCOM has the right to charge market participants tariffs/commissions at the level of costs recorded by organizing the centralized electricity purchase mechanism). In order to carry out the transactions, OPCOM shall organize an annual procurement procedure as well as an additional procurement procedure each month for the quantities of electricity to be delivered in the following month; annual and monthly electricity quantities are firm obligations of electricity producers and economic operators and are evenly distributed across all settlement intervals each month (contracts are concluded by signing, within maximum 3 working days).

As a result, for **the distribution segment**, Romanian Regulatory Authority for Energy – ANRE (<https://www.anre.ro/>) adopted measures through its Order no. 129/12.10.2022 approving the Methodological Norms regarding the recognition in the tariffs of the additional costs with the acquisition of electricity for own technological consumption compared to the costs included in the regulated tariffs, carried out between 1 January 2022 – 31 August 2023 and subsequently through Law no.357/2022 on the approval of GEO no.119/2022 which stipulates the capitalization of additional costs for purchased electricity made between 1 January 2022 and 31 March 2025.

This change in energy sector has generated a new reporting requirement for an accounting treatment in place to cover own technological consumption and it was updated in the OMFP 2844/2016 i.e. it now allows the capitalization of such additional costs related to own technological consumption („CPT”) as intangible asset which has to be depreciated linearly over next 5 years.

According to OUG 119/2022 and ANRE regulations, the capitalised costs of intangible non-current assets are recorded in the accounting records and therefore on the annual financial statements according to OMFP 2844/2016 with the instructions developed by the Ministry of Finance. ANRE will determine the recognized annual amounts of the capitalized costs based on the quantities and prices recognized for NL, and by 15 March of the year immediately following the year of capitalization of the additional costs, ANRE will transmit to the distribution operators the recognized annual amounts of the capitalized costs for the previous year. The computation of the capitalized amounts is carried out in compliance with the legislation specific to the entities that are the subject of GEO 119/2022, with subsequent additions and changes.

The changes brought by OUG 119/2022 are changes the recuperation of the additional NL by splitting it in current operating expenses (“OPEX”) and capitalised costs (“CAPEX”), there is a portion of unit costs recuperated at cost at 450 RON/MWh (recognition of ex-ante tariffs) and for the difference above this level of price of 450 RON/MWh up to the effective average price established by ANRE, there is a linear depreciation over 5 years stipulated with return at 50% of Regulated Rate of Return (RRR).

For **the supply segment**, starting with 1 November 2021, following the increase in the price of energy and natural gas on the international and national markets, the energy crisis, as well as the effects caused by these increases among the population, in Romania, a series of support schemes were applied to electricity and gas consumers, by establishing compensation and capping schemes between November 1, 2021 and March 31, 2025.

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

The Group actively reviews and implements policies and strategies to recover from the loss generated by the increase in energy price, strategies which mainly aim in revising the method of generating the selling price for final consumers, concluding agreements with specific clauses ensuring new financing facilities, closely monitoring suppliers and consumers payment terms, monitoring daily cash flow and forecasted cash flow. The Group continues to closely monitor the macroeconomic outlook and as additional information becomes available, their effects on the activity of Group companies and over the financial results are analyzed.

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The impact of legislative changes on the financial result

On 30 September 2023, financial expenses in the amount of RON 234,592 thousand (30 September 2022: RON 109,710 thousand) refer mainly to interest expenses related to outstanding bank loans and overdrafts in the amount of RON 206,349 thousand (30 September 2022: RON 100,668 thousand).

The increase in interest costs related to the year 2023 compared to the year 2022 is mainly due to the delay in collection within the terms established by law of the amounts from the Ministry of Energy and the National Agency for Payments and Social Inspection, as a result of the application of the price ceiling mechanism for electricity and of natural gas according to the legislation in force, as well as as a result of the payments made for electricity in order to cover NL, in the amount of RON 66,663 thousand in 2023 and RON 989,291 thousand in 2022, the amount recoverable in tariffs and depreciated linearly over next 5 years, according to GEO no. 119/2022. Thus, in order to support the payments within the due dates, additional loans were accessed (see Notes 14 and 15).

Geopolitical tensions

In February 2022 global geopolitical tensions significantly escalated following military interventions in Ukraine by the Russian Federation. As a result of these escalations, economic uncertainties in energy and capital markets have increased, with global energy prices expected to be highly volatile for the foreseeable future. As at the date of these interim financial statements, management is unable to reliably estimate the effects on the Groups financial outlook and cannot exclude adverse consequence on the business, operations, and financial position. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances and that judgements used in these financial statements remain appropriate.

2 Basis of accounting

These condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with OMFP no. 2844/2016. They do not include all the information required for a complete set of financial statements prepared in accordance with OMFP no. 2844/2016 and these should be read together with the annual consolidated financial statements as at and for the year ended 31 December 2022. 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 2022.

These condensed consolidated interim financial statements are not in compliance with IFRS-EU.

Starting with the consolidated financial statements as at and for the year ended 31 December 2022 the Group's financial statements prepared in accordance with the Order of Ministry of Public Finances 2844/2016 included the capitalization of the additional costs with the purchase of electricity made between 1 January 2022 and 31 March 2025, in order to cover the own technological consumption (NL) for economic operators for energy transport and distribution services. The condensed interim consolidated financial statements as at and for the nine months period ended September 30, 2023 also includes the effect of the capitalization of the additional costs with the purchase of electricity.

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on 15 November 2023.

Going concern

The consolidated condensed interim financial statements have been prepared on the going concern basis. In making this judgement management considers current trading performance and access to finance resources. The Group has prepared a forecast that includes the following assumptions:

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- A continuation of the support scheme until 31 March 2025 according to the applicable legislation but with a more stable flow of repayments of the reimbursement requests for subsidies as compared with last year, as the mechanism has been operationally improved;
- An increase in the recovery rate of subsidies receivable, according to the legislation in force and in correlation with the adoption of Ordinance no. 30 of August 10, 2023, which stipulates that the Ministry of Finance is authorized to fund the account provided by GEO no. 27/2022 with the amounts corresponding to the solidarity contribution collected in 2023. In the first part of 2023, the recoverability of subsidies was low and did not comply with the terms provided by the legislation, but once with the approval of GEO no. 30 of August 10, 2023, the Electrica Group considers that during the forecast period the subsidies will be collected according to the previously mentioned terms;
- The utilization of confirmed debt facilities up to a limit of RON 5,988,260 thousand, including RON 3,088,947 thousand overdraft limits (out of which RON 2,746,910 RON thousand used until 30.09.2023) and RON 2,899,313 thousand long term loans limit (out of which RON 1.104.647 thousand long term loans used until 30.09.2023);
- The utilization of not yet confirmed facilities, overdraft and long term loans for financing working capital needs amounting to RON 510,000 thousand which will be drawn during the forecast period;
- Also, the Group obtained the approval of the GSM to perform one or more bond issuance within a ceiling of up to RON 900,000 thousand in the period 2022-2024. The intention is to make a first issuance of up to RON 480,000 thousand by the first half of 2024, the respective amounts attracted will be able to be used as a liquidity buffer at the Group level.

At the date of issuance of these consolidated interim financial statements the regulatory position may be further amended and there may be further laws enacted which could adversely impact the Groups operating cash flows during the forecast period. Given the current market uncertainties, the Group is closely monitoring the market context and is continuously analysing the opportunities for optimisation of debt and increase of bank overdrafts and long-term loans. In light of the importance of the Group as the supplier and distributed of electricity on the Romanian market, having 39.7 % (according to the latest ANRE report 2022 for the distribution segment) as market share on the electricity distribution and 17.96 % (according to the latest ANRE report 2022 for the supply segment) as market share on the electricity supply market and having as main shareholder of Electrica SA the Romanian State, the management believes sufficient financing will be made available to cover any financing requirements arising from market uncertainty and Group will be able to meet its obligations as they fall due.

Based upon the above projections and other information, given the measures already implemented and the strategies to reduce the risks which may occur due to the instability of the economic environment, the Board of Directors has, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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.

Service Concession Arrangements

The concessionaires act as service suppliers (they build, modernize and maintain the distribution network). This results in revenues and expenditures being recognized in the profit and loss account (related to the construction and modernization of infrastructure), as well as of a margin resulting from rendering the construction services established by the Group. Starting with 30 June 2023, the Group reassessed the margin applied and a margin of 4.35% is applied, based on the Group's experience in working with external contractors. Until 31 December 2022, the margin applied

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was 3%, as presented in the annual consolidated financial statements as at and for the year ended 31 December 2022.

Except the above, the other 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 2022.

3 Basis of measurement

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

4 Significant accounting policies

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

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

5 Operating segments

(a) Basis for segmentation

The following summary describes the operations of each reportable segment:

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. and Foton Power Energy S.R.L.).
External electricity network maintenance	Repairs, maintenance and other services for electricity networks owned by other distributors (Electrica Serv S.A., without the activity performed in the electricity distribution segment).

The Board of Directors of the Company reviews management reports of each segment. Segment earnings before interest, tax, depreciation and amortisation ("EBITDA") is used to measure performance because management believes that such information is one of the most relevant in evaluating the results of the segments.

There are varying levels of integration between the Electricity supply, Electricity distribution and External electricity network maintenance segment. This integration includes electricity distribution and shared electricity network maintenance services. Inter-segment pricing policy is determined on an arm's length basis.

All assets are allocated to reportable segments, except for investments in associates and deferred tax assets.

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(b) Information about reportable segments

Nine month period ended 30 September 2023 (unaudited and not reviewed)	Electricity and natural gas supply	Electricity distribution	Electricity generation	External electricity network maintenance	Total for reportable segments	Headquarter	Consolidation eliminations and adjustments	Consolidated total
External revenues	5,304,371	1,820,091	6,035	25,916	7,156,413	147	-	7,156,560
Inter-segment revenue	39,460	1,315,498	5,952	57,124	1,418,034	-	(1,418,034)	-
Segment revenue	5,343,831	3,135,589	11,987	83,040	8,574,447	147	(1,418,034)	7,156,560
Other income	2,584,175	113,171	-	16,793	2,714,139	949	(47,204)	2,667,884
Capitalised costs of intangible non-current assets	-	66,367	-	-	66,367	-	-	66,367
Segment profit/(loss) before tax	94,552	365,390	4,208	877	465,027	18,883	11,730	495,640
Net finance (cost)/ income	(117,164)	(156,855)	(3,115)	9,377	(267,757)	50,950	-	(216,807)
Amortization and depreciation	(11,335)	(519,020)	(1,710)	(7,307)	(539,372)	(1,039)	-	(540,411)
Adjusted EBITDA*	223,051	1,041,265	9,033	(1,193)	1,272,156	(31,028)	11,730	1,252,858
(Impairment)/Reversal of impairment of trade and other receivables, net	(14,088)	(9,349)	-	98	(23,339)	67	-	(23,272)
Segment profit/(loss) after tax	78,536	305,016	3,595	591	387,738	18,881	11,730	418,349
Employee benefits	(75,051)	(573,417)	(194)	(22,915)	(671,577)	(20,720)	-	(692,297)
Capital expenditure	9,681	733,532	4,373	1,981	749,567	395	-	749,962

Nine month period ended 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
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

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At 30 September 2023 (unaudited and not reviewed)	Electricity and natural gas supply	Electricity distribution	Electricity generation	External electricity network maintenance	Total for reportable segments	Headquarter	Consolidation eliminations and adjustments	Consolidated total
Segment assets	4,822,740	9,837,478	164,860	417,275	15,242,353	112,404	(2,795,537)	12,559,220
Trade and other receivables	2,359,316	1,350,956	9,018	92,661	3,811,951	53	(1,477,528)	2,334,476
Cash and cash equivalents	41,483	117,318	12,915	12,257	183,973	3,676	-	187,649
Trade and other payables and short term employee benefits	2,526,497	1,267,498	10,226	41,105	3,845,326	55,747	(1,457,419)	2,443,654
Bank overdrafts	1,843,789	579,449	-	-	2,423,238	205,048	-	2,628,286
Lease liability	7,306	24,945	12,099	1,291	45,641	2,153	-	47,794
Bank borrowings	150,000	962,999	-	-	1,112,999	125,000	-	1,237,999
Segment assets	4,141,083	9,076,633	146,743	418,940	13,783,399	213,625	(2,373,712)	11,623,312
Trade and other receivables	2,579,678	960,913	5,265	90,557	3,636,413	378	(1,043,536)	2,593,255
Cash and cash equivalents	148,919	69,826	4,889	5,623	229,257	105,630	-	334,887
Trade and other payables and short term employee benefits	2,365,894	1,026,377	16,101	42,313	3,450,685	44,399	(1,033,845)	2,461,239
Bank overdrafts	1,589,801	772,098	-	-	2,361,899	209,138	-	2,571,037
Lease liability	8,469	33,830	12,088	(983)	53,404	269	-	53,673
Bank borrowings	-	660,713	-	-	660,713	100,000	-	760,713

*Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation) for operating segments is defined and calculated as segment profit/(loss) before tax of a given operating segment adjusted for i) depreciation, amortization and impairment/reversal of impairment of property, plant and equipment and intangible assets in the operating segment; ii) adjustments for assets held for sale and iii) net finance income in the operating segment. Moreover, EBITDA is not uniformly defined. The method used to calculate EBITDA by other companies may differ significantly from that used by the Group. As a consequence, the EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA of other companies.

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6 Revenue

	Nine month period ended	
	30 September 2023 (unaudited and not reviewed)	30 September 2022 (unaudited and not reviewed)
Electricity distribution and supply	6,182,101	6,546,183
Supply of natural gas	135,355	238,713
Construction revenue related to concession agreements	726,485	392,884
Sale of photovoltaic solutions	51,878	11,328
Repairs, maintenance and other services rendered	49,976	50,868
Sale of green certificates	2,096	2,778
Services related to re-connection fees	8,563	2,041
Consulting services	106	-
Total	7,156,560	7,244,795

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 1,993 thousand (nine month period ended 30 September 2022: RON 2,255 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 2023 (unaudited and not reviewed)	30 September 2022 (unaudited and not reviewed)
Subsidies	2,555,206	2,062,833
Rental income	68,697	69,448
Late payment penalties from customers	42,697	23,827
Other	1,284	40,706
Total	2,667,884	2,196,814

During the nine month period ended 30 September 2023, Electrica Furnizare S.A. recognized subsidies of RON 2.555.206 thousand, out of which RON 2,545,379 thousand with Ministry of Energy/National Agency for Payments and Social Inspection and RON 9,827 thousand with County Agency for Payments and Social Inspection(nine month period ended 30 September 2022: RON 2,062,833 thousand with Ministry of Energy/ National Agency for Payments and Social).

8 Electricity and natural gas purchased

	Nine month period ended	
	30 September 2023 (unaudited and not reviewed)	30 September 2023 (unaudited and not reviewed)
Electricity purchased	6,249,888	6,873,577
Green certificates purchased	393,411	449,020
Natural gas purchased	210,741	405,135
Total	6,854,040	7,727,732

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

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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 2023 (unaudited and not reviewed)	30 September 2023 (unaudited and not reviewed)
Profit for the period attributable to the owners of the Company	418,424	533,811
Profit for the period attributable to Company's shareholders	418,424	533,811

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 (reviewed) as at 30 September 2023 is 339,553,004 (30 September 2022: 339,553,004).

Earnings per share

	Nine month period ended	
	30 September 2023 (unaudited and not reviewed)	30 September 2023 (unaudited and not reviewed)
Basic and diluted earnings/(loss) per share (RON)	1.23	1.57

Dividends

On 27 April 2023 the General Shareholders Meeting of the Company approved dividend distribution of RON 39,999 thousand (2022: RON 152,799 thousand). The dividend per share distributed is RON 0.1178 per share (2022: RON 0.45 per share).

10 Income tax

(i) Amounts recognised in profit or loss

	Nine month period ended	
	30 September 2023 (unaudited and not reviewed)	30 September 2023 (unaudited and not reviewed)
Current tax expense	64,271	1,419
Deferred tax expense	13,020	93,815
Total expense related to income tax	77,291	95,234

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(ii) Movement in deferred tax balances

30 September 2023 (unaudited and not reviewed)	Balance at 30 September 2023					
	Net balance at 1 January 2023	Recognised in profit or loss	Recognised in other comprehensive income	Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	36,980	(97)	-	36,883	-	36,883
Intangible assets related to concession agreements	208,016	16,022	-	224,038	-	224,038
Employee benefits	(21,101)	(1,608)	(927)	(23,636)	(23,636)	-
Impairment of trade receivables	(30,930)	4,899	-	(26,031)	(26,031)	-
Tax loss carried forward	(6,068)	2,615	-	(3,453)	(3,453)	-
Other items	(4,521)	(8,811)	-	(13,335)	(13,335)	-
Tax liabilities/(assets) before set-off	182,376	13,020	(927)	194,466	(66,455)	260,921
Set off of tax	-	-	-	-	29,876	(29,876)
Net tax liabilities/(assets)	182,376	13,020	(927)	194,466	(36,579)	231,045

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)	-
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 recognised a deferred tax benefit mainly from the recognition of a deferred tax asset in relation to the tax loss of 2022 incurred by Distributie Energie Electrica Romania S.A. subsidiary. The recognition was based on the latest management assumptions and judgements in which the subsidiary will generate future taxable profit in the following 7 years, against which tax losses can be used. The 7-year period is the maximum period over which the companies are allowed to recover tax losses in the current tax jurisdiction (Romania).

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11 Trade receivables

	30 September 2023 (unaudited and not reviewed)	31 December 2022 (audited)
Trade receivables, gross	2,928,312	3,118,691
Bad debt allowance	(663,681)	(652,689)
Total trade receivables, net	2,264,631	2,466,002

Receivables from related parties are disclosed in Note 18.

Following the adoption of the Order no. 118/2021 with subsequent amendments and GEO no. 27/2022, the latter one being amended by GEO no. 119/2022, concerning the capping and compensation mechanism, part of the receivables due to the subsidiary Electrica Furnizare S.A. for the sale of electricity and gas are against the Romanian State through National Agency for Payments and Social Inspection and Ministry of Energy.

Electricity distribution and supply

On 30 September 2023, the amounts estimated to be received from the Ministry of Energy for non-household consumers are 10,197 thousand RON (31 December 2022: 20,480 thousand RON) and 42,971 thousand RON (31 December 2022: 21,043 thousand RON) from the National Agency for Payments and Social Inspection for household consumers.

The receivables are booked under the caption "Electricity distribution and supply".

Subsidies receivable

On 30 September 2023, the amount estimated to be received from the Ministry of Energy for subsidies is 2,254,293 thousand RON (31 December 2022: 1,280,788 thousand RON), out of which 503,418 thousand RON from uncollected requests which were submitted to the state authorities and 1,750,875 thousand RON from requests which were not yet submitted to the state authorities until September 30, 2023.

In accordance with the provisions of the enacted laws and regulations related to the recovery of these subsidies, the amounts should be recovered in 40 days after submitting the required documentation to the National Agency for Payments and Social Inspection or Ministry of Energy.

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

	Nine month period ended	
	30 September 2023 (unaudited and not reviewed)	30 September 2022 (unaudited and not reviewed)
Lifetime expected credit losses		
Balance as at 1 January (audited)	652,689	980,858
Loss allowance recognized	93,163	112,151
Loss allowance reversed	(69,891)	(15,355)
Amounts written off	(12,280)	(1,118)
Balance as at 30 September (unaudited and not reviewed)	663,681	1,076,536

The Group has identified 5 clusters of customers based on shared risk characteristics: 3 separate clusters for the distribution subsidiaries and 2 clusters (households and non-households) for the supply subsidiary.

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A significant part of the bad debt allowances refers to clients in litigation, insolvency or bankruptcy procedures, many of them being older than five years. The Group will derecognize these receivables together with the related allowances after the finalization of the bankruptcy process.

The Group has considered all the information available without undue costs (including forward looking information) that may affect the credit risk of its receivables since original recognition, thus recording a bad debt allowance in amount of RON 93,163 thousand.

12 Cash and cash equivalents

	30 September 2023 (unaudited and not reviewed)	31 December 2022 (audited)
Bank current accounts	162,762	141,656
Call deposits	24,634	193,219
Cash in hand	253	12
Total cash and cash equivalents in the condensed consolidated statement of financial position	187,649	334,887

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 132,610 thousand in 2023 (2022: RON 53,106 thousand).

13 Other payables

	30 September 2023 (unaudited and not reviewed)		31 December 2022 (audited)	
	Current	Non-current	Current	Non-current
VAT payable	647,059	-	565,075	-
Liabilities towards the State	16,121	-	11,733	-
Other liabilities	389,011	39,488	290,728	72,432
Total	1,052,191	39,488	867,536	72,432

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

14 Long-term bank borrowings

Drawings and repayments of borrowings during the nine month period ended 30 September 2023 were as follows:

	Currency	Interest rate	Maturity year	Amount (RON thousand)
Balance at 1 January 2023 (audited)				760,713
Drawings of borrowings during the period, out of which:				
Eximbank Romania	RON	ROBOR 3M+1.65%	2024	245,890
BERD	RON	9.35%	2028	180,000
Vista Bank	RON	ROBOR 3M+2.95%	2024	25,000
CEC	RON	ROBOR 3M+2.85%	2025	150,000
Total drawings				600,890
Accumulated interest				8,351
Payment of interest				(9,124)

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Reimbursements , out of which:				122,831
BRD	RON	3.99%	2026	15,600
BRD	RON	3.85%	2028	10,714
BRD	RON	3.85%	2028	8,566
Banca Transilvania	RON	4.59%	2027	13,393
Unicredit Bank	RON	3.85%	2026	7,200
BCR	RON	ROBOR 3M+1%	2028	14,212
BERD	RON	ROBOR 6M+1,15%	2031	11,479
EximBank Romania	RON	ROBOR 3M+1,65%	2024	41,667
Balance at 30 September 2023 (unaudited and not reviewed)				1,237,999

As at 30 September 2023 and 31 December 2022, the long-term bank borrowings are as follows:

Lender	Borrower	Balance at 30 September 2023 (unaudited and not reviewed)	Balance at 31 December 2022 (audited)
Banca Transilvania	Distributie Energie Electrica Romania (former SDEE Transilvania Sud S.A.)	66,973	80,367
UniCredit Bank	Distributie Energie Electrica Romania (former SDEE Transilvania Nord S.A.)	31,519	38,793
BRD	Distributie Energie Electrica Romania (former SDEE Muntenia Nord S.A.)	67,600	83,200
BRD	Distributie Energie Electrica Romania (former SDEE Transilvania Nord S.A.)	67,857	78,571
BRD	Distributie Energie Electrica Romania (former SDEE Transilvania Sud S.A.)	54,321	62,904
BCR	Distributie Energie Electrica Romania (former SDEE Muntenia Nord S.A.)	95,361	109,785
EBRD	Distributie Energie Electrica Romania	186,415	202,983
EBRD	Distributie Energie Electrica Romania	182,900	-
Eximbank Romania	Distributie Energie Electrica Romania	210,053	4,110
Vista Bank	Societatea Energetica Electrica S.A.	125,000	100,000
CEC	Electrica Furnizare S.A.	150,000	-
Total, out of which:		1,237,999	760,713
Current portion of the long-term bank borrowings		(403,081)	(104,400)
Accumulated interest		(8,351)	(9,120)
Long term borrowings		826,567	647,193

Bank Borrowings description

a) Investment loan granted by Banca Transilvania

On 18 July 2019, Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., currently Distributie Energie Electrica Romania S.A., as a borrower, concluded with Banca Transilvania an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum loan amount: RON 125,000 thousand; Interest rate: fixed, 4.59% per annum; Reimbursements: quarterly instalments until 30.06.2027; Grace period: 12 months. As at 30 September 2023, the outstanding balance is of RON 66,973 thousand, of which RON 66,964 thousand principal and RON 9 thousand accrued interest (outstanding balance as at 31 December 2022: RON 80,367 thousand).

b) Investment loan granted by Unicredit Bank

On 13 November 2019, Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., currently Distributie Energie Electrica Romania S.A., as borrower, concluded with Unicredit Bank an investment credit agreement with the purpose

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of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum loan amount: RON 60,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 13.11.2026; Grace period: 12 months. As at 30 September 2023, the outstanding balance is of RON 31,519 thousand, of which RON 31,200 thousand principal and RON 319 thousand accrued interest (outstanding balance as at 31 December 2022: RON 38,793 thousand).

c) Investment loan granted by BRD – Groupe Societe Generale

On 29 October 2019, Societatea de Distributie a Energiei Electrice Muntenia Nord S.A., currently Distributie Energie Electrica Romania S.A., as borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the investment plan. Main provisions are: Maximum loan amount: RON 130,000 thousand; Interest rate: fixed, 3.99% per annum; Reimbursements: quarterly instalments until 28.10.2026; Grace period: 12 months. As at 30 September 2023, the outstanding balance is of RON 67,600 thousand (outstanding balance as at 31 December 2022: RON 83,200 thousand).

d) Investment loan granted by BRD – Groupe Societe Generale

On 25 June 2020, Societatea de Distributie a Energiei Electrice Transilvania Nord S.A., currently Distributie Energie Electrica Romania S.A., as a borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: RON 100,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 30 September 2023, the outstanding balance is of RON 67,857 thousand (outstanding balance as at 31 December 2022: RON 78,751 thousand).

e) Investment loan granted by BRD – Groupe Societe Generale

On 25 June 2020, Societatea de Distributie a Energiei Electrice Transilvania Sud S.A., currently Distributie Energie Electrica Romania S.A. as a borrower, concluded with BRD – Groupe Societe Generale an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: RON 80,000 thousand; Interest rate: fixed, 3.85% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 30 September 2023, the outstanding balance is RON 54,321 thousand, of which RON 54,286 thousand principal and RON 35 thousand accrued interest (outstanding balance as at 31 December 2022: RON 62,904 thousand).

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

On 17 September 2020, Societatea de Distributie a Energiei Electrica Muntenia Nord S.A., currently Distributie Energie Electrica Romania S.A., as a borrower and Electrica SA as a guarantor, concluded with Banca Comerciala Romana S.A. an investment credit agreement with the purpose of financing investments in the electricity distribution network, according to the approved investment plan for 2020. Main provisions are: Maximum loan amount: RON 155,000 thousand; Interest rate: ROBOR 3M+1% per annum; Reimbursements: quarterly instalments until 2028; Grace period: 12 months. As at 30 September 2023, the outstanding balance is RON 95,361 thousand, of which RON 94,749 thousand principal and RON 612 thousand accrued interest (outstanding balance as at 31 December 2022: RON 109,785 thousand).

g) Investment loan granted by the European Bank for Reconstruction and Development ("BERD")

On 2 July 2021, Societatea de Distributie Energie Electrica Romania SA, as a borrower, concluded with the European Bank for Reconstruction and Development a credit agreement for investments in order to finance investments in the electricity distribution network according to the 2021-2023 investment plan. The main provisions are: The maximum value of the loan RON 195,136 thousand; Interest rate: agreed individually for each tranche drawn; Repayments: 17 half-yearly instalments until 31.07.2031; Grace period: 24 months. As at 30 September 2023, the outstanding balance

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is RON 186,416 thousand, of which RON 183,657 thousand principal and RON 2,758 thousand accrued interest. The loan agreement is guaranteed by Electrica SA.

h) Investment loan granted by the European Investment Bank ("BEI")

On 14 July 2021, Societatea de Distribuție Energie Electrica Romania SA, as a borrower, concluded with the European Investment Bank an investment credit contract, representing the first part of the Approved Credit in the amount of EUR 210,00 thousand for the purpose of financing investments in the electricity distribution network according to the 2021-2023 investment plan. The main provisions are: Maximum value of the loan: EUR 120,000 thousand; Interest rate and Repayments will be agreed individually for each tranche drawn. On 30 September 2023, the outstanding balance is Nil as no withdraw was made from the loan. The loan agreement is guaranteed by Electrica SA.

i) Investment loan granted by the European Investment Bank ("BEI")

On 7 December 2021, Societatea de Distribuție Energie Electrica Romania SA, as a borrower, concluded with the European Investment Bank an investment credit contract, representing the second part of the Approved Credit in the amount of EUR 210,00 thousand for the purpose of financing investments in the electricity distribution network according to the 2021-2023 investment plan. The main provisions are: Maximum value of the loan: EUR 90,000 thousand; Interest rate and Repayments will be agreed individually for each tranche drawn. On 30 September 2023, the outstanding balance is Nil as no withdraw was made from the loan. The loan agreement is guaranteed by Electrica SA.

j) Loan for financing current activity granted by Eximbank Romania

On 22 December 2022, Distribuție Energie Electrica Romania S.A., as a borrower, concluded with Eximbank Romania a credit agreement for a period of 24 months. The main provisions are: Maximum loan amount: 250,000 thousand RON; Interest rate: ROBOR 3M +1.65 % p.a.; Repayments: 6 equal quarterly instalments; Grace period: 6 months. On 30 September 2023, the outstanding balance is RON 210,053 thousand, of which RON 208,333 thousand principal and RON 1,720 thousand accrued interest (31 December 2022: 4,110 thousand). The loan benefits from a guarantee in the name and account of the state and is guaranteed by Electrica SA.

k) Line of Credit for working capital and for issuing Bank Guarantee Letters granted by Vista Bank

On 30 December 2022, Societatea Energetica Electrica S.A., as the borrower, concluded a contract for a line of credit for working capital and for the issuance of Bank Guarantee Letters granted by Vista Bank for a period of 18 months. The main provisions are: Maximum credit amount: 100,000 thousand RON; Interest rate: ROBOR 3M +2.95 % p.a.; full refund at maturity. On 30 September 2023, the balance of the loan is 125,000 thousand RON (31 December 2022: 100,000 thousand).

l) Investment loan granted by the European Bank for Reconstruction and Development ("BERD")

On 17 March 2023, Societatea de Distribuție Energie Electrica Romania SA, as a borrower, concluded with the European Bank for Reconstruction and Development a credit agreement for working capital. The main provisions are: The maximum value of the loan RON 180,000 thousand; Interest rate: agreed individually for each tranche drawn; Repayments: 14 quarterly instalments until 31.01.2028; Grace period: 18 months. As at 30 September 2023, the outstanding balance is RON 182,900 thousand, of which RON 180,000 thousand principal and RON 2,900 thousand accrued interest. The loan agreement is guaranteed by Electrica SA.

m) Multicredit facility for multiple financing by accessing cash and non-cash products granted by CEC BANK SA ("CEC")

On 4 August 2023, Electrica Furnizare S.A., as the borrower, concluded a Facility Agreement Multicredit. The main provisions are: The maximum value of the loan RON 150,000 thousand; Interest rate: ROBOR 3M+2.85%; full repayment at maturity; Maturity date: 03 August 2026. As at 30 September, 2023, the outstanding balance is RON 150,000 thousand. The loan agreement is guaranteed by Electrica SA.

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Financial Covenants

The financial covenants specified in the agreements with BRD – Groupe Societe Generale, Unicredit Bank, Banca Comerciala Romana, European Bank for Reconstruction and Development and European Investment Bank have been fulfilled as at 30 September 2023 and 31 December 2022.

15 Overdrafts

Until the authorization for issue of these Consolidated Financial Statements by the Board of Directors, the Group has overdrafts from various banks (ING Bank N.V., Raiffeisen Bank, Banca Comerciala Romana, Banca Transilvania, BNP Paribas, Intesa Sanpaolo Bank, BRD – Groupe Societe Generale, Alpha Bank and UniCredit) with a total overdraft limit of up to 2,963,947 RON thousand (Total overdraft limit as at 31 December 2022: RON 2,743,542 thousand).

The overdraft facilities are used for financing activities. The outstanding balance of the overdraft facilities as at 30 September 2023 is of 2,628,286 RON thousand (31 December 2022: RON 2,571,037 thousand).

As at 30 September 2023 and 31 December 2022, the overdrafts are as follows:

Lender	Borrower	Balance at 30 September 2023 (unaudited and not reviewed)	Balance at 31 December 2022 (audited)
ING Bank N.V	Societatea Energetica Electrica S.A.	205,048	209,138
Alpha Bank	Electrica Furnizare S.A.	299,918	147,497
BCR	Electrica Furnizare S.A.	382,655	227,311
BRD	Electrica Furnizare S.A.	219,132	216,570
Banca Transilvania	Electrica Furnizare S.A.	187,087	185,528
ING Bank N.V	Electrica Furnizare S.A.	170,626	169,600
Raiffeisen Bank	Electrica Furnizare S.A.	252,149	343,001
UniCredit Bank	Electrica Furnizare S.A.	302,449	300,294
BNP Paribas	Electrica Furnizare S.A.	29,773	-
BCR	Distributie Energie Electrica Romania S.A	94,751	208,412
Banca Transilvania	Distributie Energie Electrica Romania S.A	159,631	158,965
ING Bank N.V	Distributie Energie Electrica Romania S.A	49,743	49,855
Intesa San Paolo	Distributie Energie Electrica Romania S.A	136,453	135,096
Raiffeisen Bank	Distributie Energie Electrica Romania S.A	138,872	219,770
Total		2,628,286	2,571,037

16 Provisions

	Fiscal	Others	Total provisions
Balance at 1 January 2023 (audited)	1,084	52,617	53,701
Provisions recognised	-	3,713	3,713
Provisions used	-	(229)	(229)
Provisions reversed	-	(16,826)	(16,826)
Balance at 30 September 2023 (unaudited and not reviewed)	1,084	39,275	40,359

As at 30 September 2023 provisions mainly refer to benefits upon the termination of executive directors' mandate contracts in the form of a non-compete clause of RON 703 thousand (31 December 2022: 1,839 RON thousand) and for various claims and litigations involving the Group companies with a total amount of RON 39,656 thousand (31 December 2022: 51,862 RON thousand).

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17 Financial instruments – fair values

(a) Accounting classifications and fair values

Financial assets are measured at amortised cost because they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The Group assessed that the carrying amount is a reasonable approximation of the fair value for the financial assets and financial liabilities.

(b) Measurement of fair values

Fair value hierarchy

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

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

18 Related parties

(a) Main shareholders

As at 30 September 2023 and 31 December 2023, the major shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy with a share of ownership of 48.79% from the share capital.

(b) Management and directors' compensation

	Nine month period ended	
	30 September 2023 (unaudited and not reviewed)	30 September 2022 (unaudited and not reviewed)
Executive management compensation	28,447	25,898

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 2023 (unaudited and not reviewed)	30 September 2022 (unaudited and not reviewed)
Members of the Board of Directors	3,213	2,513

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(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 2023 (unaudited and not reviewed)	Nine month period ended 30 September 2022 (unaudited and not reviewed)	30 September 2023 (unaudited and not reviewed)	31 December 2022 (audited)
OPCOM	2,062,994	2,122,663	119,107	23,981
Transelectrica	458,236	734,248	104,750	185,856
Nuclearelectrica	624,254	578,534	95,671	93,013
Complexul Energetic Oltenia	828,311	344,542	113,311	45,257
Hidroelectrica	44,584	416,421	33	42,493
OMV Petrom SA	-	-	-	26,349
Electrocentrale Bucuresti	-	181,919	-	-
ANRE	16,724	10,426	4,154	14
Transgaz	4,034	5,879	343	986
SNGN Romgaz SA	39,111	137,743	8,658	7,445
Others	3,737	187,231	638	1,168
Total	4,081,985	4,719,606	446,665	426,562

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 2023 (unaudited and not reviewed)	30 September 2023 (unaudited and not reviewed)		
OPCOM	17,614	319	-	319
Transelectrica	146,154	55,254	-	55,254
SNGN Romgaz	26,116	(80)	-	(80)
CN Romarm	16,480	242	-	242
Hidroelectrica	210,166	28,654	-	28,654
CFR Electrificare	13,512	4,409	-	4,409
CN Remin SA	658	71,198	71,216	(18)
Transgaz	999	210	-	210
CET Braila	14	3,378	3,361	17
Termoelectrica	-	1,206	1,206	-
Oltchim	-	115,426	115,426	-
C.N.C.A.F. MINVEST SA	-	26,802	26,802	-
County Agency for Payments and Social Inspection	9,827	9,826	-	9,826
Ministry of Energy/ National Agency for Payments and Social Inspection (*)	2,545,379	2,307,461	-	2,307,461
Others	229,168	22,692	453	22,239
Total	3,216,087	2,646,997	218,464	2,428,533

(*) During the nine month period ended 30 September 2023, Electrica Furnizare S.A. recognized subsidies in amount of RON 2,545,379 thousand, to be received from the Ministry of Energy, following the application of the capping price mechanism for the electricity and natural gas according to the legislation in force.

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Client	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
	Nine month period ended 30 September 2022 (unaudited and not reviewed)		31 December 2022 (reviewed)	
OPCOM	258,261	22,630	-	22,630
Transelectrica	192,740	112,754	-	112,754
Hidroelectrica	41,609	16,429	-	16,429
CN Romarm	13,057	648	0	648
SNGN Romgaz	63,627	2,253	9	2,245
Transgaz	10,027	764	0	764
CFR Electrificare	7,112	2,089	-	2,089
CN Remin SA	541	71,279	71,148	132
Oltchim	-	115,943	115,943	-
C.N.C.A.F. MINVEST SA	-	26,802	26,802	-
CET Braila	-	3,365	3,361	3
Termoelectrica	-	1,206	1,206	-
Ministry of Energy/ National Agency for Payments and Social Inspection	2,062,833	1,322,311	-	1,322,311
Others	70,603	11,277	522	10,754
Total	2,720,410	1,709,750	218,991	1,490,759

19 Acquisition of subsidiaries

Taking control of New Trend Energy S.R.L. and Foton Power Energy S.R.L., as well as the acquisition of Green Energy Consultancy & Investments S.R.L and Sunwind Energy S.R.L. (please see Note 1), will enable the Group to develop a portfolio of electricity generation capacities from renewable sources.

A. Consideration transferred

The Consideration transferred for the shares acquired was as follows:

	Green Energy Consultancy & Investments S.R.L. (31 August 2022)	New Trend Energy S.R.L. (31 May 2022)	Sunwind Energy S.R.L. (31 March 2022)	Foton Power Energy S.R.L. (31 July 2023)	Total
Cash	1,190	-	734	6,308	8,232
Fair value of pre-existing interest	1,446	5,588	4,394	6,328	17,756
Consideration transferred	2,636	5,588	5,128	12,636	25,988

B. Acquisition-related costs

The Group incurred in 2022 acquisition-related costs of RON 100 thousand relating to external legal fees and due diligence costs. These costs have been included in "Other operating expenses" in the condensed consolidated statement of profit or loss of 2022.

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:

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	Green Energy Consultancy & Investments S.R.L. (31 August 2022)	New Trend Energy S.R.L. (31 May 2022)	Sunwind Energy S.R.L. (31 March 2022)	Foton Power Energy S.R.L. (31 July 2023)	Total
Property, plant and equipment	239	273	163	278	953
Right of use assets	-	6,095	2,862	-	8,957
Trade and other receivables	-	46	20	40	106
Cash and Cash equivalents	1	7	-	3	11
Total assets	240	6,421	3,045	321	10,027
Trade and other payables	(196)	(1)	(1)	(5)	(203)
Finance lease liability	-	(6,764)	(3,184)	-	(9,948)
Other non-current liabilities	-	(332)	(191)	(296)	(819)
Other payables	(47)	(8)	-	-	(55)
Total liabilities	(243)	(7,105)	(3,376)	(301)	(11,025)
Net assets	(3)	(684)	(331)	20	(998)

D. Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Green Energy Consultancy & Investments S.R.L. (31 August 2022)	New Trend Energy S.R.L. (31 May 2022)	Sunwind Energy S.R.L. (31 March 2022)	Foton Power Energy S.R.L. (31 July 2023)	Total
Consideration transferred	2,636	5,588	5,128	12,636	25,988
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities	-	(274)	-	8	(266)
FV of non-controlling interest acquired without change in control	(1,191)	-	(866)	-	(2,057)
Fair value of identifiable net assets	3	684	331	(20)	998
Goodwill	1,448	5,998	4,593	12,624	24,663

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

20 Contingencies

Contingent Liabilities

Fiscal environment

Tax audits are frequent in Romania, consisting of detailed verifications of the accounting records of taxpayers. Such audits sometimes take place after months, even years, from the date liabilities are established. Consequently, companies may be found liable for significant taxes and fines. Moreover, tax legislation is subject to frequent changes and the authorities demonstrate inconsistency in interpretation of the law.

Income tax returns may be subject to revision and corrections by tax authorities, generally for a five year period after they are completed.

The Group may incur expenses related to previous years' tax adjustments because of controls and litigations with tax authorities. The management of the Group believes that adequate provisions and liabilities were recorded in the consolidated financial statements for all significant tax obligations; however, a risk persists that the tax authorities might

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have different positions.

Tax inspection report for former SDEE Muntenia Nord S.A. subsidiary (currently Distributie Energie Electrica Romania S.A.)

The former SDEE Muntenia Nord S.A. subsidiary (currently Distributie Energie Electrica Romania S.A.) was subject to a tax audit performed by the Local Taxes Department of Galati City Hall that referred to the taxes on buildings paid for the period 2012-2016. The tax audit was finalized in December 2019, when the fiscal inspection report was communicated to the subsidiary. The fiscal report established additional payment obligations for the subsidiary representing building tax for the period 01.01.2012-31.12.2015 in the total amount of RON 24,831 thousand, of which principal in amount of RON 12,051 thousand and related late-payment penalties computed as of October 2019, in amount of RON 12,780 thousand. The amount of late charges was recalculated to RON 13,021 thousand between the tax inspection report date and principal debt payment date. Litigious actions were started in order to challenge the tax inspection report, next court term being on 31.01.2024.

The Group recognised an expense of RON 12,051 thousand during the year ended 31 December 2019. At the same time, for the late penalties in the amount of RON 13,021 thousand, a letter of bank guarantee was established in the amount of RON 13,021 thousand valid until 12 February 2024, in order to mitigate the associated risks.

Other litigations and claims

The Group is involved in a series of litigations and claims (eg. with ANRE, ANAF, Court of Accounts, claims for damages, claims over land titles, labour related litigations etc.).

As summarised in Note 16, the Group made provisions for the litigations or claims for which the management assessed as probable the outflow of resources embodying economic benefits due to low chances of favourable outcomes of those litigations or disputes. The Group does not disclose information in the financial statements and did not made provisions for litigations and claims for which management assessed a remote possibility of outflow of economic benefits.

If applicable, the Group discloses information on the most significant amounts subject to litigations or claims for which the Group did not make provisions as they relate to possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group (ie. litigations for which different inconsistent sentences were issued by the courts, or litigations which are in early stages and no preliminary ruling was issued so far).

21 Subsequent events

Merger by absorption within Group's structure

According to the minutes of the meeting of the Board of Directors of the Company on 30 October 2023, the the Company's Ordinary General Meeting of Shareholders (OGMS) and the Company's Extraordinary General Meeting of Shareholders (EGMS) have been convened on 20 December 2023, regarding the merger by absorption between Societatea Energetica Electrica SA (ELSA), Societatea Electrica Productie Energie SA (EPE), Electrica Energie Verde 1 SRL (EEV1) and Green Energy Consultancy & Investments SRL (GECI) (together "the Companies") and the participation of the Companies in the merger, with Societatea Energetica Electrica SA as the absorbing company, Electrica Productie Energie SA, Electrica Energie Verde 1 SRL and Green Energy Consultancy & Investments SRL as the absorbed companies, with the effective date of the merger being 31 December 2023.

Outstanding subsidies receivable

After the reporting date, for the previous period until September 30, 2023, requests were submitted to the state authorities in the amount of RON 695,193 thousand.

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Loans related to third-parties

On 02 November 2023 was signed the Additional Act no. 1 to the Loan Agreement dated 03 November 2021, concluded by Electrica with Erste Group Bank AG and Raiffeisen Bank SA as Borrower, which decreases the facility amount from RON 750 mn. to RON 450 mn. and extends the validity of Facility Agreement until 03 November 2024.

Chief Executive Officer
Alexandru – Aurelian Chirita

Chief Financial Officer
Stefan Alexandru Frangulea

15 November 2023